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NEWS SUMMARY

GENERAL

Benn attacked over Tatchell

Tony Benn was attacked by fellow Parliamentary Labour Party members over his support for Peter Tatchell, the parliamentary candidate chosen by Bermondsey Labour Party but rejected by party leader Michael Foot and Labour's *National Executive Committee.* Mr Bob Mellish partly defused the situation by promising to stay on as MP for Bermondsey "for the foreseeable future."

Scottish blueprint

Strathclyde Regional Council announced a £300m package for the economic regeneration of the area, which it said was the biggest initiative for job *creation ever undertaken by* a British local authority. Page Seven

Court reappraisal

Over 1,000 court verdicts in the Irish Republic may be overruled following the discovery that District Justice Michael Murphy had been made a judge without serving the required 10 years as a barrister.

Multiple crash

Eleven people were taken to hospital after more than 40 vehicles were involved in a pile-up in freezing fog on the M1 motorway near Alfreton, Derbyshire.

Israeli 'defence'

Israeli Defence Minister Ariel Sharon said Israel has no plans to wage war against Syria and the build up of Israeli troops on the newly annexed Golan Heights was for defence purposes.

Iraq agreement

Greece and Iraq signed an agreement for repair of Iraqi ships and aircraft in Greece.

Steel shutdown

The British Steel Corporation, which closed its plants for two weeks last Christmas, will this year stop production for only 36 hours. Page 6

Councillor 'jailed'

Tory councillor Danny George became the first prisoner in Rotherham's new police station when he was accidentally locked in a cell for half an hour while inspecting the building.

Fare dodge fine

Commuter Eric Thompson, who dodged rail fares for nine years with a season ticket which had expired in 1972, must pay British Rail £1,500 compensation plus a £500 fine and £20 costs, Southend Magistrates decided.

Arms talks break

U.S. and Soviet arms negotiators broke for the Christmas and New Year holiday giving no hint of progress in their three week talks on limiting nuclear missiles in Europe.

Tour cancelled

Hong Kong cancelled a rugby tour of the colony by South African schoolboys following a threat of a trade embargo by Nigeria.

Alliance support

The Social Democrat-Liberal alliance is backed by half the public, according to a Gallup Poll published in today's Daily Telegraph. **Liberal Fund Raising, Page 8**

Briefly . . .

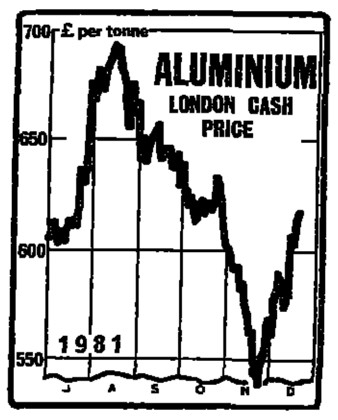
Thamesdown Council, Wiltshire, sold a 250-year-old painting of Stonehenge, bought for £12 in the 1930s, for £2,500.

Transport Department considering making proposed M20 motorway between Maidstone and Ashford a toll road.

BUSINESS

Base metal prices surge

● **BASE METAL** prices except tin rose in London because of the Polish crisis. Cash aluminium increased £4 to £617.50 a tonne, giving a rise of £26.50 for the week. Page 39



● **DOLLAR** eased to DM 2.2760 (DM 2.2770), FFr 5.7550 (FFr 5.7625) and SwFr 1.8240 (SwFr 1.8275) but rose to Y218.25 (Y218.10). Its trade-weighted index was 107.3 (107.2). Page 35

● **STERLING** fell to $1.8870 down 2½ points on the day. DM 4.2950 (DM 4.2975), FFr 10.8550 (FFr 10.87) and SwFr 3.4425 (SwFr 3.4475). It rose to Y412 (Y411.75). Its Index was 90.1 (90.2). Page 35

● **GOLD** was unchanged at $416.50 in London. In New York, the Comex December close was $415.5 ($422.5). Page 35

● **EQUITIES** were quiet. The FT 30-Share Index lost 1.9 to 518.7, a fal largely attributable to Distillers' 14p drop on low mid-term profits. Page 40

● **GILTS** drifted. The FT Government Securities index was 0.25 off at 62.56. Page 40.

● **WALL STREET** was down 0.57 at 868.15 near the close. Page 38

● **IRON AND STEEL** Trades Confederation called for an overtime ban after failing to win concessions on British Steel plans for local pay deals linked to redundancies.

● **AUSTRALIAN** ports could close next week because of an industrial dispute, employers and unions said.

● **PUBLIC OFFER** of 51 per cent in an oil company that would take over BNOC's production and exploration is proposed next year. **Back Page; N. Sea output cuts decision, Page 8**

● **MORTGAGE** tax relief system changes planned by the Government from April 1983 mean building societies will deduct tax. The changes will have no net effect on borrowers.

● **ENGINEERING** Employers Federation's next director general will be Dr James McFarlane, a director of Guest Keen and Nettlefolds.

● **AMERICAN MOTORS** union agreed to consider "lending" the company about $150m (£79m) in wage and benefit concessions until September 1983.

● **U.S. BALANCE** of payments current account surplus was $2.1bn (£1.1bn) in the third quarter, the fifth consecutive quarterly surplus.

● **CONTINENTAL** Illinois raised its prime rate from 15½ to 15¾ *per cent.*

● **AE,** precision engineering component makers and distributors, reported pre-tax profits down to £1m (£7.8m) in the year to September 30. **Page 30; Lex, Back Page**

● **UNIGATE,** milk, meat and transport group, increased six-month taxable profits to £20.1m (£14.5m). **Page 28; Lex, Back Page**

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

AE	44	+ 7
Adams and Gibbon	81	+ 5
Bank of Scotland	488	+ 13
Barratt Develops	206	+ 6
British Steam	59	+ 8
Capital & Counties	114	+ 8
ERF	46	+ 6
English China Clays	158	+ 6
FNFC	35½	+ 3½
Hartwells	90	+ 6
Henlys	123	+ 23
Lon Merchant Secs	61	+ 4
Marston Thompson	67	+ 4
Minet	188	+ 9
Northern Foods	150	+ 5
Plysu	102	+ 5
Redman Heenan	44	+ 4
Royal Bk Scotland	180	+ 5
Sidlaw	218	+ 26
Sonic Sound	98	+ 4
Tube Invs	114	+ 6
Whessoe	158	+ 16
Sampang Jawa	12½	+ 1½
Western Mining	253	+ 5

FALLS

Exchqr 12pc '98	£78½	— ⅞
Distillers	164	— 14
Dowty	135	— 5
Ward (T. W.)	192	— 8
Tara Exploration	805	— 40

CRISIS IN POLAND

Striking miners shot by police

BY OUR FOREIGN STAFF

THE POLISH crisis entered its most acute phase last night with an announcement by Warsaw Radio that seven miners were killed and 39 injured when police opened fire on strikers at a mine in Katowice, capital of the Silesian *coal mining district on* Wednesday.

A further 164 civilians and 162 members of the security forces were also injured during *violent* clashes in the Baltic port of Gdansk, Warsaw Radio added.

The U.S. will not help Poland solve its economic problems while the country remains under martial law, President Ronald Reagan said in Washington last night.

The military takeover, he said, represented a "gross violation of the Helsinki Pact" on human rights. "It would be naive" to believe that the Polish authorities had acted "without the full knowledge and support" of Soviet officials, he added.

Crisis in Poland, Page 2
Politics Today, Page 25

The reports are the first official confirmation of bloodshed since martial law was imposed on Sunday followed by a massive police and army crackdown throughout the nation.

According to Warsaw Radio, the "forces of order" opened fire after being attacked by strikers armed with stones, crowbars and axes when they tried to enter the Wujek mine at Katowice. A total of 41 members of the security forces were said to be injured.

The radio said security forces had orders not to fire unless attacked and ended its report with an appeal for people to be reasonable and not listen to "irresponsible provocateurs and enemies of the nation."

Confirmation of the violence *in Poland came as western* governments toughened their criticism of the military regime.

Lord Carrington, the Foreign Secretary, expressed this new mood in a speech to the European Parliament where he described events in Poland as "a man-made disaster on a colossal scale." He complained about "the ominous silence" surrounding the fate of Mr Lech Walesa, the Solidarity leader.

Western diplomats reported that at least two large concentration camps have been set up, one just outside Warsaw and another on the Hel Peninsula near Gdansk, to hold the several thousand Solidarity activists and others arrested over the last *five days.*

Diplomats also report that two members of the 15-man ruling Communist Party Politburo may be among these arrested. If this is confirmed it would be the clearest indication so far that General Wojciech Jaruzelski's decision to opt for a military solution to the Polish impasse has provoked deep lacerations within the party itself.

The two Politburo members were named as Mr Jan Labecki, the former party secretary at the Lenin shipyards, and Mr Hieronim Kubiak. Both were elected to the Politburo during the party congress in July.

Meanwhile, Mr Stefan Olszowski, one of the leading hardliners in the Politburo, surfaced at a press conference for East bloc correspondents on Wednesday night.

He said 3,500 Poles had been arrested and claimed that calm had returned to the streets of Warsaw, but admitted that "underground elements of Solidarity" were organising

Continued on Back Page

BANKS REFUSE REQUEST FOR $350m LOAN

LEADING West German and U.S. banks said yesterday that they would refuse Poland's request for an emergency bridging loan of $350m (£185m), writes Peter Montagnon, our Euromarkets Correspondent.

Poland claims it needs the money to complete 1981 interest payments on its foreign debt. Without the extra funds it will be unable to sign the planned agreement allowing it to defer repayment of principal falling due to Western banks in the last three quarters of this year.

But U.S. and European bankers said yesterday they were not sure that Poland is really so desperate for cash.

A common view was that the military takeover in Poland last weekend adds to the Soviet Union's obligation to assist Warsaw with hard currency.

Western governments have also been asked to provide additional finance for Poland since the military takeover, but this request is expected to be turned down as were similar requests last month.

The governments were apparently asked for the finance at a hitherto undisclosed meeting between Polish finance ministry officials and ambassadors from 12 leading industrial nations in Warsaw on Monday.

Several bankers said they were irritated by Poland's request for a loan, especially since Western banks had been assured last week that interest payments were already in the pipeline.

Rejection of the loan request by the U.S. and West Germans is significant because banks in those countries have lent the most to Poland in the past. German banking exposure is estimated at $3.6bn and U.S. exposure at about $1.7bn.

Without their co-operation, banks approached in other countries — including Lloyds, Barclays and National Westminster in the UK — could not go ahead with the $350m loan even if they wanted to.

All Western banks due to sign the rescheduling agreement have been forced into what one banker described yesterday as "a game of poker." The next play is to see whether the Soviet Union will come to Poland's assistance.

If this does not happen, the most likely route to compromise would be through renewed discussions within the multinational task force of banks which has been spearheading debt negotiations up to now.

Lords rule that cut-price fares are unlawful

BY ROBIN PAULEY AND LYNTON McLAIN

THE GREATER LONDON Council's cheap fares scheme for the capital's buses and underground trains is unlawful and so is the 6.1p in the pound supplementary rate levied in the autumn to pay for it, the Lords ruled yesterday.

As soon as the judgment was announced tube and bus stations stopped selling bus passes and season tickets for longer than three months—March 31 being the earliest date from which a new and higher fares scheme could be implemented. Fares are then expected to rise by at least 150 per cent.

Mr Ken Livingstone, leader of the GLC, which is responsible for London Transport, claimed the decision also 20 tube stations would be closed, but routes cut by 10 per cent, and 15,000 people would lose their jobs.

"London will be devastated unless Parliament introduces legislation to allow our present policy to continue," hte said.

Sir Peter Masefield, chairman of London Transport, said the judgment meant there needed to be a complete review of public transport financing. He stated talks with the Transport Department yesterday to discuss a fundamental review of the way London Transport is financed. He is seeking urgent talks with the Government to discuss the possibility of either passing responsibility for London Transport to the Transport Department or introducing legislation to make subsidies legal.

Sir Peter wants the Transport Department to take overall responsibility for a "policy forming body" to oversee London Transport, British Rail's London commuter services, the London services of the National Bus Company, and services in the boroughs of the counties affected by London's transport. Finance would be provided by fares, the Government and the rates.

Sir Peter said the immediate effect of the fares increase in the wake of the Lords' ruling would be to cut passenger traffic by between 30 per cent and 50 per cent. Worst affected would be London's red buses where the minimum fare would rise from 10p to 25p for less than a mile of travel. The sharply increased fares could reduce to about 50,000 the number of people travelling by bus in London between 7 and 10 each morning, compared with the 103,000 passengers a day in the rush hours last year.

Even with the 150 per cent increase in fares, London Transport would not break-even before 1983, Sir Peter said.

Meanwhile, fare increases of at least the rate of inflation would be needed on top of the increase planned for March.

In the *Commons,* Labour leaders demanded new legislation clarifying the rights of the GLC and other local authorities to use rate revenues to subsidise transport fares.

Mr Michael Foot, the Opposition leader, warned that without early action by the Government there would be a chaotic situation in London with serious consequences for those who relied on public transport. *Refusing to be rushed into* "instant action," the Prime Minister said MPs and the Government needed time to consider the Law Lords' judgment, which ran to some 100 pages.

Details of judgment, Page 6
Labour demands changes in law, Page 8
Editorial Comment, Page 24

Concern about the possible legal implications for GLC councillors was expressed by Mr Christopher Price (Lab, Lewisham West) who called on the Government to protect them by introducing an indemnatory Bill.

Within the Cabinet, however, there is strong support for the view that any new legislation ought to be on the lines of forcing other transport authorities, which operate under a different law to London's, to toe the line of the Lords judgment. Draft legislation to impose cash limits on transport spending had already been considered by the Cabinet in case the hearing went the other way.

The Law Lords, who disagreed on points of detail, found that in deciding nearly to double the burden on transport cost on ratepayers, the GLC was failing in its duty to ratepayers and exceeding its legal powers. Some of the Lords said it was deliberate failure to use financial resources to the best advantage if a policy was adopted in the full knowledge that it would involve forfeiting grants from central government.

The case hinged on the interpretation on the phrase requiring the GLC to promote "integrated, efficient, not economic transport facilities and services."

Lord Scarman took the view that this meant they must try to "break even." Some degree of loss might be unavoidable in which case the GLC could fund the deficit as a grant. But loss did not thereby become an acceptable object of policy.

Continued on Back Page

Laker survival package agreed

BY ALAN FRIEDMAN

A SURVIVAL package for Laker Airways involving the sale of some of its aircraft and possible fare increases on the North Atlantic route was agreed at a meeting yesterday chaired by the Bank of England.

The package will also require the agreement of aircraft manu*facturers to assume the* risk-and-potential losses related to the disposal of Airbuses and DC-10s.

Bankers involved in the talks said last night that they expected Laker Airways to sell at least two Airbuses and one DC-10 in six to nine months.

Losses could occur on the sale of aircraft because the price of a second-hand Airbus or DC-10 would be significantly below the original purchase price paid by Laker Airways and funded by the banks.

McDonnell Douglas, which sold five DC-10s to Laker with the aid of a $228m (£121m) syndicated loan, headed by Eximbank in Washington, is known to be willing to accept some degree of risk.

Airbus Industrie, which sold three Airbuses to Laker with the aid of a $131m syndicated loan headed by Midland Bank, has already contracted to accept the first 25 per cent of risk ($32.75m) should bankers demand the sale of Airbuses.

In addition to these aspects of the package, it is likely that some of the manufacturers will provide Laker with short-term funding to overcome the airline's present cash flow difficulties.

Another element of the proposed survival package is that Laker Airways might have to agree to increase its fares on the North Atlantic routes by as much as 20 per cent, eventually bringing Laker fares into line with other carriers.

A senior Government official said last night that this survival package is "the front-runner."

He stressed that aspects of the complex package might change, but said it was necessary that the Laker fleet be reduced in size.

Midland Bank said yesterday: "There is only one solution in the short term for the survival of Laker Airways and that solution involves the manufacturers."

The re-scheduling of Laker's total debt is expected to go ahead, but the debt will be diminished when the airline sells part of its fleet. Bankers predict a fundamental restructuring of the Laker balance sheet within the next few months.

£ in New York

—	Dec. 16	Previous
Spot	$1.8880-8900	$1.8950-8970
1 month	0.37-0.34 dis	0.40-0.35 dis
3 months	0.95-0.90 dis	1.05-0.97 dis
12 months	1.50-1.40 dis	1.55-1.35 dis

Bank loans to companies soar

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

A RECORD surge of bank lending to companies last month has placed the Government in a dilemma over its monetary policy.

It has also put upward pressure on interest rates which is likely to make the authorities reluctant to see base rates go down again for some time.

Figures issued yesterday by the Bank of England showed that bank lending to the private sector reached a record £2.58bn in November, more than three times the October figure. Overseas borrowing by the private sector also surged to £541m.

The Bank warned in its quarterly bulletin, also out yesterday, that high demand for loans by the corporate sector was likely to continue for a few months.

This is regarded as a warning to the banks, which have been told they must not allow the recent increase in personal lending to "crowd out" lending to the company sector.

The latest rise in demand for funds from the companies and private individuals, mainly for mortgages, has continued to push the money supply well past its target range.

Yesterday's figures show that sterling M3, the broad measure of money, increased by 0.5 per cent between October and November, although it is already well above the target of an annual rate of increase of 6-10 per cent.

Part of the increase in bank lending last month reflects the fact that companies are paying tax which was delayed by the civil servants' strike earlier in the year. This element, however, would not increase the money supply.

However, the Bank and Whitehall officials believe that much more has been borrowed to finance a recovery in stocks and that this will grow as economic activity picks up.

It is believed that even when the effect of the tax repayments is excluded, underlying bank lending to the private sector is still running at a very high level.

As one official remarked: "If bank lending of the order of £1bn a month is going to be required to finance the industrial recovery, then the Government will have to choose between its target for sterling M3 and the recovery."

In the past, the Government has tried to curb increases in the money supply by raising interest rates. But doubts about

Continued on Back Page

MONEY SUPPLY PER CENT RISES
(seasonally adjusted)

	Nov.	Since Feb. annual rate	Last 12 months
M1	0.5	10	10.7
£M3	0.5	17.8	14.9
PSL1	0.1	15.6	12.6
PSL2	0.2	13.2	12.2

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***Premier says economy improving,* Page 8**
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Carrington hits at hesitant EEC

BY JOHN WYLES IN STRASBOURG

Lord Carrington, the British Foreign Secretary, yesterday launched an unexpectedly sharp attack on the inability of the EEC to take necessary decisions.

At the end of a summing up to the European Parliament of the UK's six-month term in the Presidency of the Council of Ministers, Lord Carrington vented some of the frustration and disappointment felt in London that, despite strenuous British efforts, only modest achievements have been made.

While stressing that any presidency has limited possibilities to achieve its objectives because the period is so short, the Foreign Secretary drew attention to the paradox that the EEC needed to resolve.

"In these times of political and economic uncertainty, it seems to be becoming increasingly difficult, at the same time as it becomes more necessary, to get decisions."

"We have tried to demonstrate the tenacity and endurance which are needed in every presidency, but even they are not enough if there is no common will to reach conclusions — and that is what I fear has been too often lacking in our deliberations."

Lord Carrington warned that it was not to the Community's credit to have failed to meet the agreed deadline at the end of this year for agreement on EEC reform. Nor was it to its credit that there was still deadlock on the proposed directive covering non-life insurance services, despite five meetings of Finance Ministers during the UK presidency.

Finally, the Foreign Ministers had discredited themselves by failing to agree on a recommendation on telecommunications public purchasing "because of disagreement over one word." Last week France refused to accept that EEC "suppliers" and not "producers" should be eligible to tender for public contracts.

This uncharacteristically sharp sting in the tail of Lord Carrington's speech followed a lengthy account of progress made on issues ranging from enlargement to foreign policy co-ordination (political co-operation).

In order to make the point that the past six months have been far from barren, the British also supplied MEPs with a 21-page document detailing progress made on issues discussed by the Council of Ministers under their presidency.

According to Lord Carrington, about 70 measures had been adopted by the Council —a record of "solid, if unspectacular, achievement" which had been particularly notable in environmental and social affairs.

He referred to the recent adoption of directives on pollution control and public safety.

John Wyles assesses Britain's six-month EEC Council Presidency

'Less than a glittering success'

"THE BRITISH presidency gets things done," was the slogan cheerfully offered by a British official a few weeks ago after an unusually decisive meeting of the EEC's Council of Ministers. There has been no attempt to revive it recently lest it be ranked with "Peace in our time" as one of the more inappropriate utterances of the last 50 years.

Judged by the modest list of objectives which Lord Carrington, the British Foreign Secretary, set before the European Parliament in July, Britain's term in the Council of Ministers Presidency has hardly been a glittering success.

- Reform of community agriculture and the budget: no agreement.
- A new insurance directive: no agreement.
- A common fisheries policy: no agreement.
- Moves to open up airline competition: barely started.

The checklist could be much longer, but this is the season of goodwill and there we will leave it.

How then can Lord Carrington pass on the presidency to his Belgian counterpart at the end of the month firmly convinced that as presidencies go, Britain's has been a superior one? More remarkably, why is it that most other member states would agree with him?

Community governments know that many of the objectives which each new presidency is obliged to declare for itself are merely priorities. Each council president inherits a host of ongoing issues and selects from the bran tub a number which it will try to push forward. Unfortunately, the Community's decision-making machinery does not work in six-month cycles, so a presidency is judged as much by improved prospects for agreement as by the number of agreements secured.

It is also judged by the efficiency with which Council business is conducted and by the personal stamp which its leading officials and politicians bring to the task of chairing meetings and organising debate.

It is acknowledged that the British have given the Community a first-class demonstration of chairmanship. The top medals here are awarded to Lord Carrington for his conduct of the Foreign Affairs Councils and Sir Michael Butler, the UK's Permanent Representative, for his management of Coreper, the Committee of Ambassadors, one of the Community's most important and least-publicised negotiating bodies. With skill, determination and a bullying insistence that meetings must start on time, these two men and their counterparts in other councils and bureaucratic committees have created a sense that the machinery has been working as well as it possibly can.

As a result, the prospects for agreement on a range of issues have been enhanced, and none more so than the crucially important "mandate" questions. As Lord Carrington acknowledged to the European Parliament yesterday, he is disappointed that the Ten have not yet managed to agree guidelines for farm policy reform and new arrangements for limiting Britain's payments to the EEC budget.

But agreement may now be only a few weeks away on these basic issues touching fundamental national interests, and the British Government may well have built up more political capital than is realised by the way in which it has managed the negotiations.

"I have been really surprised and impressed by the even-handed approach," said one ambassador, referring to the fact that Lord Carrington and Mrs Thatcher have been seen to give equal priority to agreement on all mandate questions and have not sought to concentrate on the British budget issues.

Ironically agreement is now very much closer on everything except the British budget problem. But the widespread respect for Britain's presidential handling of the negotiations appears to have produced a desire in most other member states to avoid embarrassing Lord Carrington by proclaiming that the UK is again standing in the way of the Community's future development.

This is a very important gain which suggests that the UK presidency may have encouraged subtle changes in the way in which Britain's approach to EEC membership (usually misleadingly characterised as indifferent and narrowly self-interested) is seen in other EEC capitals. The deliberate courtship of the European Parliament, demonstrated by Mrs Thatcher's speech on Wednesday, has been another useful piece of image-building.

Lord Carrington has personally earned a lot of credit given the British presidency. For most of the time he has managed to mask his distaste for many of the detailed technicalities with which he has had to deal as Council president. He has been less successful in hiding his preference for political co-operation, nor his apparent conviction that this is really what British membership of the Community is largely about.

Lord Carrington: top medal for chairmanship

Unfortunately for Lord Carrington, and through no fault of the Community, two EEC initiatives with which he was closely identified have run into the sand during the last six months. The Middle East policy now needs seriously rethinking in the light of developments in the area, particularly Saudi Arabia's failure to rally Arab opinion behind moves towards recognition of Israel's right to exist.

The EEC's proposal for an Afghanistan peace conference, taken to Moscow in July, lies forlornly on the table because the Russians will not pick it up.

A Presidency's failures are quickly forgotten in the Community, and its successes not always accurately remembered. The British presidency, however will probably leave a satisfactory, and not a sour aftertaste, and everyone is thankful for that.

Third clash looms over Community budget

By John Wyles

THE EUROPEAN Parliament squared up reluctantly yesterday to a third successive budgetary clash with EEC governments by adding a controversial £116.5m to the Community's £11.5bn 1982 spending programme.

As a result, EEC Budget Ministers are expected to meet in Brussels on Monday to decide whether to accept Parliament's decision or to threaten further conflict.

Any delay, however, could prevent adoption of the 1982 budget and force the Community to difficult emergency spending arrangements similar to those applied in the first half of 1980 after the Parliament refused to adopt the budget.

Constitutionally, Parliament's vote on budget amendments yesterday was its last word on the matter. But according to the Treaty of Rome the budget is not formally adopted until its President, Madame Simone Veil, says so. She will certainly withhold any declaration until after the budget council has reacted.

But she could, theoretically, declare the budget adopted even if the council is hostile.

In a similar situation affecting the 1981 budget, France, West Germany and Belgium withheld their monthly payments due to the EEC budget because they were opposed to the content of the budget formally adopted by Madame Veil. This led to action against them in the European Court while a political compromise was eventually found in the summer.

The actual sum in dispute between the Parliament and the council is only about £65m, since the council indicated that it would turn a blind eye to the addition of £52m to its draft proposals.

Having made this gesture, several member governments may see the addition of a higher figure as provocative and raising a point of principle.

The Parliament claims that its move is quite legal. But it is based on a different classification of budget expenditure from the one regarded as legally justified by the council.

Yesterday MEPs added about £25m (46m European currency units) to regional spending, £27m (52.4m Ecu) to social spending and £15.6m (30m Ecu) to aid for developing countries.

Sig Aldo Spinelli, a senior member of the Parliament's budget committee, said yesterday that MEPs wanted to avoid another budget clash. But the council's behaviour had been "quite arrogant," he said.

European Ministers attack Warsaw's 'manmade disaster'

BY JOHN WYLES

THE MOUNTING concern among EEC governments over developments in Poland was underlined yesterday by the strongest statement yet made on behalf of the Community by Lord Carrington, British Foreign Secretary, who called the crisis "a manmade disaster on a colossal scale." Speaking to the European Parliament as President of the EEC Council of Ministers, Lord Carrington said the Polish skies had continued to darken since Community Foreign Ministers issued a statement of concern and a warning against outside interference on Tuesday.

"We are familiar with natural disasters, but here in the heart of our continent is a manmade disaster on a colossal scale. Although news is censored, communications cut and diplomatic facilities suspended, we read of arrest, detentions and evictions. There has almost certainly been some loss of life. There is an ominous silence about the fate of Lech Walesa."

Lord Carrington's deliberate mention of Mr Walesa will be seen as a warning to the Polish authorities of possibly serious consequences if the Solidarity leader suffers any harm.

Neither the British nor other EEC governments are receiving a satisfactory flow of information on the Polish turmoil because of the restrictions placed on embassies.

However, the preliminary judgment in European capitals is that the military operation to arrest trade union leaders and to break strikes was skilfully and successfully executed.

Lord Carrington's conclusion was to reaffirm that "there must be no foreign interference whatever," and to insist in stronger terms than before that "there must be an early resumption of the process of negotiations and conciliation, including the release of those in detention."

He noted that the Polish military council had offered assurances on Wednesday that the process of renewal and economic reform would continue. "This Parliament and the world will be watching to see how these assurances are put into effect."

Lord Carrington's statement followed a vigorous condemnation of the Polish crackdown by President Mitterrand of France on Wednesday. There is some suggestion that France wants a tougher statement by the EEC than the one produced earlier this week, but Paris had no direct involvement in the drafting of Lord Carrington's statement.

Emergency aid from East bloc

BY LESLIE COLITT IN BERLIN

EAST EUROPEAN countries have started to mount emergency aid programmes in response to appeals from the Polish authorities.

This is seen as a counter to massive Western deliveries of food and other supplies to Poland which have received wide publicity there.

An East German transport plane filled with medicines left for Warsaw, while a convoy of 20 trucks loaded with food and other supplies departed from Dresden for Poland.

The East German news agency said the products were donated by the People's Solidarity fund, which normally collects money from East Germans to aid Asian and African countries.

Poland has asked its "fraternal socialist" allies to urgently send aid before Christmas.

The Soviet Union has promised 50,000 tonnes of rice, clothing, sweets and fruit, in addition to the 30,000 tonnes of meat it recently delivered.

Hungary has promised to send washing powder, soap, milk, clothing, medicines, baby food, canned meat, fruits and toothpaste. It has also lifted a recently imposed ban on food products being taken out of the country by visiting Poles.

The East German Red Cross yesterday issued a call for citizens to contribute money to aid Polish children "in the present difficult situation."

This was the first public appeal in East Germany to aid Poland, although the East German Government announced late last year that it was giving Poland $110m (£58m) in assistance, along with $133m-worth of grain, butter, meat and other foods, as well as consumer goods.

RISKS OF INTERNATIONAL LENDING

Smaller banks under threat from growth of debt rescheduling

BY WILLIAM HALL, BANKING CORRESPONDENT

WITH CLOSE to 2,000 banks operating in the money markets and between 70 and 90 banks entering them each year, bankers are becoming increasingly nervous that the growing number of debt reschedulings, which could be as high as $50bn (£26bn), could threaten some of the smaller banks.

Mr Geoffrey Bell, a director of Schroder International, the U.S. arm of the London merchant bank, said earlier this week that if the international markets perceive that a bank has too high a proportion of its loan portfolio on a non-current basis (not paying interest), depositors may decide to withdraw, and this could mean that a bank could not raise the money to finance its loan portfolio.

He felt that banks facing such a problem would either be small, or come from countries where the lender of last-resort facilities are insufficiently clear. He said the risks were impossible to quantify but the operations of the inter-bank market, which is a primary source of funds for many banks, is a "legitimate area of concern" for international bankers.

He told a banking conference in London, organised by the Financial Times this week, that there was growing evidence that bankers are increasingly concerned about the risks in international lending.

He also released the first tentative details of a special study on the risks of such lending which had been set up under the auspices of the Group of 30, a body of international monetary experts headed by Dr Witteveen, a former managing director of the IMF.

The study group, chaired by Mr John Heimann, a former U.S. Comptroller of the Currency, and Mr Bell, has circulated a questionnaire to 200 of the world's leading banks asking for detailed responses to various issues relating to banking risks. These included questions on country risks, rescheduling and the inter-bank deposit market, and maturity transformation and banking margins.

European and North American bankers replied that the greatest perceived threat to individual banks was the possibility of large numbers of debt reschedulings. European banks seemed more concerned about individual reschedulings involving larger amounts of funds on increasingly less favourable terms. However, Asian banks saw a threat arising from a chain of defaults by sovereign country borrowers.

All the bankers questioned expressed less concern for the smooth functioning of the system than for the viability of individual banks.

Half of the respondents felt that the existing ad hoc arrangements among banks and governments were adequate to deal with frequent country debt reschedulings. Forty per cent were uncertain. The remainder, mostly Asian banks, felt that existing arrangements could not handle more reschedulings.

Sixty per cent of those interviewed said that there was some concern that banks had been influenced to extend credit beyond prudent levels because of outstanding loans in some cases.

Most European banks foresaw a modest or substantial increase in risks over the next five years but North American banks expected risks to increase only modestly.

Most bankers felt that under the present arrangements "the international banking system would be vulnerable to chain collapse in the event of a crisis affecting a significant bank or group of banks."

Mr Bell said that because of rapid expansion of the Eurodollar market many banks are being confronted with country or corporate debt reschedulings for the first time. This may well come as a shock to smaller banks, many of which are ill-equipped to deal with rescheduling problems.

Corporate balance sheets have deteriorated drastically over the past couple of years and some banks are finding themselves involved in reschedulings for corporations that only a short while ago were thought to be of the highest credit rating or protected by a financial umbrella. Often lending banks are taken by surprise by the amount of debt involved and the number of banks to which it is owed.

Another common problem in debt reschedulings is that one recalcitrant bank can jeopardise the whole operation by refusing to work with the other banks.

There are several reasons why bankers fear that the position on corporate and country debt reschedulings is going to worsen before it improves.

They include: generalised stagflation in major industrial countries which is unlikely to improve over the next year; extreme volatility in interest rates which many argue is the most dangerous aspect.

Portugal's budget approved

By Diana Smith in Lisbon

PORTUGAL'S austerity budget for 1982 has been approved by the Balsemao Government's coalition in Parliament.

Next year's deficit of Esc 150.6bn (£1.2bn) represents a real decrease compared with this year.

With the budget pushed through before the end of the calendar year for the first time in several years, the republic of Portugal can take a leading place in the Euromarket queue for its 1982 syndicated loan.

The stringent supervision of current and capital spending carried out by Sr Joao Salgueiro, Finance Minister, to reverse recent trends of swelling annual deficits, had already brought grumbles from the state-owned industrial sector. During this week's parliamentary debate the Government's own benches joined the protests.

A fierce attack on social service austerity by Sr Luis Moura Guedes, leader of the Social Democrat parliamentary group, sparked off threats to resign by other Social Democrat deputies. It aroused fears that the fractious ruling alliance might again embark on a bout of self-destructive squabbling.

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Irish Government 'leak' error

BY BRENDAN KEENAN IN DUBLIN

DR GARRET FITZGERALD, the Irish Prime Minister, has said that "an administrative error" was responsible for the leaking of a government document on next month's budget.

The document, which came into the possession of the Irish Times, shows that nearly I£200m (£165m) has been cut from next year's public capital programme.

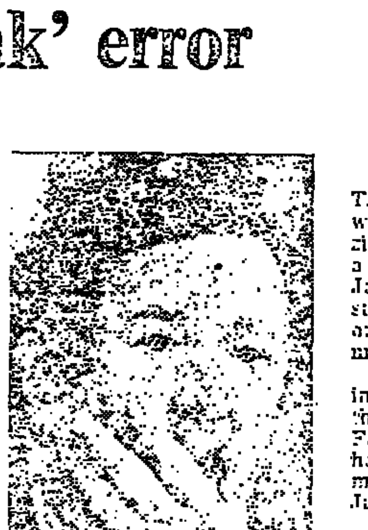
Dr FitzGerald told the Dail (Irish Parliament) that the document was a "preliminary one" which, by mistake, was given to a secretary who dealt with the Press.

According to the document, the capital programme will rise by less than 8 per cent next year. With yesterday's consumer price index showing Ireland's inflation rate at more than 23 per cent, this represents a significant cut in real terms.

Dr FitzGerald told the Dail (Irish Parliament) he had not seen the document in question, but if it was a genuine budget document, it was a very serious matter.

According to the document, the Department of Finance originally sought cuts of more than I£300m in the departmental estimates. The departments scheduled for the heaviest cuts included health, defence and gaeltacht (Irish language affairs).

However, given next year's opening deficit of more than I£1bn, the Government still has a long way to go. Further cuts in current spending, plus tax increases, seem inevitable in budget day.



Dr FitzGerald

Tara Mines decides on shutdown move

By Our Dublin Correspondent

TARA MINES is to go ahead with its plan to put its lead and zinc mine at Navan, Ireland, on a care and maintenance basis on January 1, despite the fact that striking craftsmen are to vote on settlement terms early next month.

The terms were worked out in talks held in Navan under the auspices of a local priest, Father Andrew Farrell. There has been no production at the mine since the strike began last July.

Putting the mine on a care and maintenance basis would cause no serious problems, if there is an early return to work. However, according to the company, a prolonged shutdown would mean it could take months would mean it could take months to return to full production.

Belgium's latest coalition off to a promising start

BY LARRY KLINGER IN BRUSSELS

Mr Martens: youthful veteran

BELGIUM's new Centre-Right coalition Government, sworn into office yesterday by King Baudouin, aims to act quickly to tackle the country's economic crisis. All the signs last night were that the new Premier, Mr Wilfried Martens, is off to a good start.

The resilient 45-year-old Mr Martens—who eight months ago was unceremoniously deposed returns to head his fifth administration with the backing of all factions in the coalition's political parties and the fillip of a strong franc, reflecting international confidence not seen for many months.

The Government hopes to fill the country's national political vacuum, which has lasted for well over a year, and expects to receive special powers from Parliament to combat Belgium's deepening economic crisis.

However, success is far from guaranteed. The crisis is the most serious Belgium has suffered since the war.

Furthermore, the historical linguistic divisions between this country's Flemish and French-speaking segments will not disappear overnight. The Government's first real test is likely to come soon from powerful trade unions in the French-speaking South.

The Government begins life with the backing of the Christian Democrat-Liberal coalition's political factions after special congresses of all four of the Flemish and French-speaking wings of the parties gave unequivocal support to Mr Martens' economic programme.

Possibly even more encouraging is the Belgian franc's increasing steadiness on the foreign exchange markets. As recently as last Friday the central bank was again forced to raise interest rates to near record levels to combat suggestions of a devaluation.

Since then the bank has tightened its technical controls on money dealings. Mr Martens, presenting his economic programme, has declared that devaluation is out of the question.

Bankers and foreign exchange dealers reported yesterday that the exchange market was responding favourably. The gap between the officially supported commercial franc and the free-moving financial franc had narrowed to around 13 per cent from the 15 per cent to 16-plus per cent levels reached over the past few weeks.

One leading exchange dealer, however, yesterday, put into words what is uppermost in most people's minds.

"The markets will be waiting to see if the new Government can act decisively and quickly.

"One must be very cautious about taking this week's performance of the franc as meaning the start of a permanent trend," he warned.

The new Government plans quick action. It will ask Parliament for special powers, lasting for up to 12 months, to speed the passage of large sections of its economic programme.

The backing provided by the party congress suggests that the new coalition's slim parliamentary majority of seven should hold.

The Government's success or failure is much more likely to hinge on politics in the country at large

There have long been worries that the Christian Democrat-Liberal coalition, with both parties strongly based in the Flemish-speaking North, might seriously under-represent French-speaking interests by excluding the South's dominant Socialist Party.

The greatest fear is that the Government's plans to cut real incomes by around 3 per cent might provoke widespread strikes, especially in the economically depressed South.

There is a dangerous precedent from the winter of 1960-1961, when proposals to modify municipal workers' pension schemes led to an outbreak of stoppages that verged on a national strike and forced out a Christian Democrat-Liberal Government similar to today's.

Meanwhile, Mr Martens, who has often been described as a political cat with nine lives, is once again staking his career on taking unpopular measures.

His attempt to limit incomes growth to 1 per cent a year led to the collapse of his fourth administration last spring. At that time it was suggested that the cat had only four lives.

Today he launches what has already been dubbed Martens V.

EEC steel output goal 'still far away'

By Giles Merritt in Brussels

EEC STEEL producers are unlikely to close the gap between capacity and output between now and the mid-1980s, according to figures released yesterday by the European Commission.

Although the Commission's anti-crisis measures for steel aim to encourage closures and mergers so that production will rise to 85 per cent of capacity, the projections suggest that in 1984 the goal will be as far away as ever.

The Commission's forecasts, based on a survey carried out early this year, show that by the end of 1984 the EEC's crude steel capacity will still far exceed likely output Uncertainties over steel price levels and steelmakers' financial performance will remain.

The Brussels figures put 1984 capacity at almost 197m tonnes, a slight reduction on the 1980 level of 202m tonnes.

President Masire

Botswana President attacks Pretoria

By J. D. F. Jones in Gaborone

SOUTH AFRICA is trying to destabilise neighbouring Botswana, one of Africa's few multi-party democracies, by deliberately exaggerting the presence of Soviet personnel in the country, according to President Quett Masire.

In an exclusive interview the President charged that South Africa was using such report "as a pretext for some mischievous undertaking," in line with efforts to destabilise other black-ruled states in southern Africa.

President Masire was referring to a recent spate of reports in the South African Press, some of which have been relayed abroad, that Soviet diplomats and military advisers had arrived in Botswana in numbers large enough to justify the description of Botswana as "South Africa's Cuba."

These reports are vehemently denied by Gaborone, and the *denials are supported by* impartial and informed observers. But President Masire said that he was very worried because the South Africans were not naive or ill-informed and "we have experience of the South Africans going into Mozambique on the pretext of pursuing or destroying Soviet or Cuban agents.

The facts, according to President Masire, are that there is a staff of 31 in the Soviet embassy in Gaborone (compared with 40 U.S. diplomats): that four Soviet personnel arrived with purchases of military equipment earlier this year, and have since left: and that this equipment is being maintained by a team sent by the Indian Government.

Botswana decided to build up a small defence force at the time of the Zimbabwe civil war. It claims that Soviet prices and delivery dates for certain equipment were better than those available from the West. It is known to have bought some Sam-7 missiles and troop carriers.

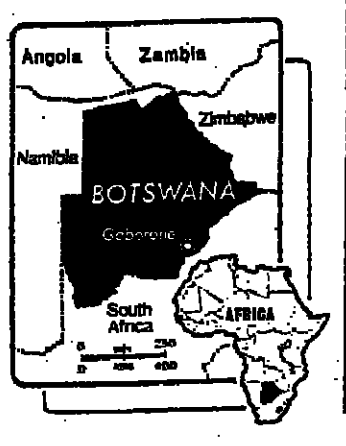
President Masire commented that he felt it better that Botswana, a non-aligned country, should have its army trained by another non-aligned country rather than by either Soviet or U.S. experts.

"We would not like either freedom fighters or South African army personnel just walking like Goliaths across our country without our being able to call them to order," he said.

The President repeated the fundamental of Botswana's foreign policy, which he inherited from his late predecessor, Sir Seretse Khama, that Botswana, whose economy is heavily dependent on South Africa, could not and would not allow its territory to be used as a launching pad for any sort of military activity.

Other points that he made included:

- Botswana has still not received from South Africa the requested oil supplies to fill her storage tanks at Gaborone and Francistown, now empty for two years. He would not rule out the possibility that this was deliberate policy in Pretoria, But did nto know whether pressure had been put on South African oil companies:
- He confirmed a successful renegoatiation of the Southern African customs union agreement, which shares out customs revenues between South Africa, Botswana, Lesotho and Swaziland.
- The trans-Kalahari railway project was now 'on the brink" of a major step forward and an announcement could be expected. This projectto push a rail line westward from the coal reserves of eastern Botswana, across the Kalahari Desert tothe Namibian port of Walvis Bay, would cost over $1bn and is thought to depend for its financing on annual coal exports of 10m tons.
- The slump in the international diamond market had been a grave blow for Botswana and this year sales would be down by about £60m.



Sharon takes control of Israeli arms sales for political benefits

BY DAVID LENNON IN TEL AVIV

ISRAEL is re-organising its highly successful arms export operation with the aim not just of boosting sales, which exceeded $1bn last year, but also to derive political gain from the arms sales.

Since being appointed Defence Minister in the summer, Mr Ariel Sharon has taken control of all aspects of Israeli arms sales and purchases apparently because he wants to gain political benefit for Israel from its sales policy.

An example of this was his recent visit to a number of African countries, apparently to discuss arms supplies. Following Mr Sharon's visit to Zaire, President Mobutu Sese Seko said that his country was willing to renew diplomatic ties with Israel, which had been broken off in 1973.

Mr Sharon also indicated that sales to South Africa would be boosted, because he regarded it as one of the few African countries fighting against Soviet expansion.

Despite the success of Israel's arms exports—it is now the world's seventh largest exporter of weapons and weapons systems—the Minister has announced a number of organisational changes in the military weapons network, and has brought in a former Israeli from New York to head the export operation.

Mr Sharon has also publicly criticised the country's 300 or so private arms merchants for "holding the country by the throat." He later explained that they had undue influence on the local defence industry, and sometimes acted primarily for their own benefit rather than *that of the country.*

His appointment of Mr Aryeh Ganger, a former Israeli who made a commercial fortune in the U.S., is being opposed by the Defence Ministry staff, which yesterday held a one-hour strike to protest against the hiring of an outsider and an emigrant.

However, Mr Sharon has made it quite clear he intends to push ahead with the appointment and Mr Ganger, who arrived in Israel on Wednesday, is due to take up his post on January 1.

The organisational changes will eliminate duplication between the Defence Ministry and the military. The administrative units dealing with arms will be amalgamated, including research, development and production.

As Jewish settlers raised the Israeli flag in the newly-annexed Golan Heights town of Katzrin (above), Syria yesterday called for an urgent meeting of Arab Foreign Ministers to work out a co-ordinated response to the Israeli move.

The United Nations Security Council met last night and was expected to call on Israel to rescind the annexation. If Israel *does not step down,* the Syrians have said they will seek agreement on UN sanctions. Mr Ahmed Iskander, the Syrian Minister of Information, added: "We are not war *lovers,* but when war is imposed on us we shall defend *ourselves with courage* and without any hesitation. In such a case, Syrian mothers will not be the only ones to cry."

He said Syria still considered itself bound by the 1974 disengagement agreement. Meanwhile, stones were hurled at visiting Israeli journalists on the Golan yesterday, but apart from the earlier Israeli build-up, the area was reported to be generally quiet.

Peking talks with India 'go slowly'

By K. K. Sharma in New Delhi

WIDE differences on the border issue were revealed during the first meeting between China and India in two decades last week. Talks being held in Peking will be protracted and difficult.

Revealing that the differences existed, Mr P. V. Narasimba Rao, India's Minister of External Affairs, told Parliament yesterday that the talks could nonetheless result in better understanding between India and China.

Mr Rao described the meeting itself as a "positive step." He said that "in the light of the report of our delegation, we are now considering how we should take the matter forward." This view was also shared by China, he added.

Officials are not disclosing the trend of the talks except to say that the discussions were detailed. Before the talks began, China let it be known that it is willing to settle for the status quo, retaining Aksaichia in northern Kashmir, but abandoning its claim to Arunachal in the north-east, but this solution would be unacceptable to India.

Indians have been told that the Chinese illegally occupy more than 14,000 square miles of Indian territory and that this could never be condoned.

Japan predicts 5.2% growth fuelled by domestic demand

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPAN hopes to achieve a real growth rate of 5.2 per cent in the coming fiscal year even though Government spending is being severely restrained.

The rate of 5.2 per cent—adopted as a target at the insistence of the director general of the Economic Planning Agency, Mr Toshio Komoto—contrasts with the 4.1 per cent growth rate which is now anticipated for fiscal 1981 (the year ending on March 31 next year).

The difference between the economy's performance this year and next should be a "spontaneous" revival of domestic demand, according to the Government.

A detailed breakdown of the 5.2 per cent projection is not yet available, but it seems clear that the authorities do not expect growth to come significantly from the overseas sector. Instead they are counting on a revival of such things as capital investment by industry, housing construction and building up of stocks.

Public expenditure will be a minus factor in the equation, reflecting the Government's detremination to hold down spending in the main budget to only 1.8 per cent over this year's amount.

The Government forecast for 1982 bears an ironic similarity to the original 1981 forecast. This put real growth at 5.2 per cent and suggested that three quarters of total growth would come from the domestic sector.

The figure was revised downwards in the autumn to 4.7 per cent in order to allow for a change in the base year used for calculating the GNP deflator.

A further, recent, revision to 4.1 per cent reflects very low growth in the second quarter of the fiscal year (0.6 per cent) and a downward revision of first quarter growth rate from the originally published figure of 1.1 per cent to only 0.7 per cent.

The EPA forecast for growth in 1982 is much more optimistic than those of private institutions. Forecasts published in the past few days range from Daiwa Securities' figure of 3.5 per cent to Mitsui Bank's 4.5 per cent figure. Two of Japan's most prestigious economic research agencies, the Japan Economic Research Centre and *Nomura Research Centre,* have opted for figures of 4.1 per cent and 3.9 per cent respectively.

The private research organisations agree with the Government that growth will be mainly domestically generated in 1982.

Zimbabwe imposes price freeze

By Our Salisbury Correspondent

THE Zimbabwe Government yesterday imposed a three-month price freeze on all goods and commodities as part of a scheme to narrow the gap between rich and poor.

Acting Minister of Trade and Commerce, Mr Bernard Chidzero told a news conference the freeze would give the Government time to reorganise its price control system so that recently announced 66.6 per cent minimum wage increases would not be nullified by sudden price rises.

All wholesale, retail and trade prices would be frozen at current levels until the end of next March. The freeze would come into operation immediately under the country's emergency powers regulations.

- A survey of industrialists released here shows a sharp decline in confidence over the past six months.

A report on the survey said business opinion predicts a period of slower economic growth, severe cost escalation and narrower profit margins. Industrial growth, which reached 15 per cent in 1980 and is forecast at around 11 per cent this year, would fall below 10 per cent in 1982, it concluded.

Reuter adds from Salisbury: Zimbabwe's rail link with the Mozambique port of Beira, disrupted six weeks ago by guerrilla sabotage, has reopened.

Double vote plan for Namibia

By Our Johannesburg Correspondent

WESTERN diplomats yesterday proposed a "one man, two votes" system to elect the constituent assembly which is intended to lead to the independence of Namibia.

Revised constitutional proposals of the five nation contact group were released in Windhoek and Cape Town and appear to make it slightly more difficult for the South West African People's Organisation (Swapo) to win an overwhelming majority in any UN supervised election.

The contact group has already stipulated that the future constitution of Namibia must have the endorsement of at least two thirds of the constituent assembly.

Under the new proposals each voter is to have two votes, one to be cast for a local constituency member, the other to be cast for a national party slate, according to a system of proportional representation.

Half the members of the constituent assembly will be elected on a national basis by proportional representation and half on the basis of single-member constituencies.

Most observers believe that Swapo is likely to win a majority in any free election but this revised proposal may make it harder for it to win more than two thirds of the seats.

This internationally supervised election is intended only to choose the membership of the constituent assembly; the future shape of the Namibian constitution and *political system* will be the task of that body.

Angola denial

ANGOLAN diplomats yesterday denied a report from Lisbon that the Angolan Government was ready to start talks with Unita, the guerrilla organisation led by Dr Jonas Savimbi, Quentin Peel reports.

Canada farmers in shotgun protest

BY JIM RUSK IN TORONTO

ANGRY Ontario livestock farmers, protesting against high interest rates and imminent bankruptcy, are stepping up their campaign to persuade city-dwellers that all is far from well down on the farms of Canada's most industrialised province.

This week, one group left three rotting beef carcases on the front step of a branch of the Royal Bank in Toronto.

Recently, a front-page photograph in a Toronto daily newspaper featured a group of angry farmers in ski-masks posing with their shotguns, apparently ready to deal with any banker trying to repossess a bankrupt farm.

Another group drove their tractors on to the four-lane expressway between Ottawa and Montreal and blocked it for an afternoon by burning old tyres.

The target of the farmers' protests is high interest rates. The Canadian Agriculture Department estimates that interest payments are now the largest single cash cost faced by Canadian farmers.

The interest rate squeeze on farm incomes has been reflected in an increase in farm bankruptcies, which in the first 11 months of 1981 were 28 per cent ahead of the 1980 figure.

Over half of the bankruptcies were in Ontario which, despite being Canada's most heavily industrialised province, happens also to have the highest level of farm output of any Canadian province.

Ontario farm incomes were down 5 per cent in 1981 compared with an overall increase of 15 per cent in Canadian farm incomes. The pressure has been greatest on the province's pork and beef farmers, who were caught between rising costs of interest and feed grains

Slaughter-cattle prices which in early 1979 were nearly double the levels in the summer of 1978, have remained stable for the past two years, while hog prices tumbled steadily through the first half of 1981.

The squeeze is not expected to be as tight next year, as interest rates have come off summer peaks by 5-6 percentage points and a record North American corn crop has softened feed grain prices.

But the weak grain markets have hit the overall outlook for Canadian farmers for 1982, and the Federal Agriculture Department now estimates that farm incomes will drop by 22 per cent next year and by 21 per cent in Ontario.

Given the force of the protests in Ontario, where the vigilantes were led by young farmers who borrowed heavily to get into the industry in the 1970s when farm incomes were high and land prices soaring, farm protest could spread across Canada.

The increasing commercialisation of agriculture has left farmers with higher cash costs relative to income than they traditionally have had. This, coupled with the acceptance of an urbanised living standard, will most likely mean that they will not quietly accept a 20 per cent income drop.

The recent federal Budget offered C$50m (£22m) in interest rate relief for the most hard-pressed farmers through the Farm Credit Corporation, a federal agency that makes long-term loans to farmers.

Unincorporated farmers in financial distress have also been made eligible, for the first time, for special low interest development bonds.

The Federal Government, in fact, escaped most of the Ontario farmers' wrath as it built up over the summer.

Mr Eugene Whelan, Federal Agriculture Minister, himself an Ontario farmer, spoke out strongly against the Federal Government interest rate policies and managed, in a time of spending constraint, to get funds for interest rate subsidies out of Federal coffers.

As the size of the problem grows, it is not clear that Mr Whelan will be able to repeat his feat next year.

Rondonia to be Brazil's 21st state

By Andrew Whitley in Rio de Janeiro

BRAZIL'S fastest-growing region, Rondonia, a wild frontier territory the size of West Germany which until now has been administered by the Federal Government, is to become the country's 21st state.

After years of debate, the Federal Union has finally accepted into its midst the region which borders on Bolivia in the south-west corner of the Amazon, and has considerable untapped mineral and agricultural wealth.

Multinationals such as British Petroleum, which is dredging for tin, and a floodtide of settlers from elsewhere in the country, co-exist uneasily with a native population still largely untamed.

On Wednesday, the Chamber of Deputies in Brasilia voted to elevate the federally-administered territory to full statehood.

The Government sponsored Bill now goes to the Senate,

Car makers to meet Reagan

BY IAN HARGREAVES IN NEW YORK

LEADERS of the U.S. motor industry are expected to press President Reagan today for speedier action on changing air pollution laws which govern the industry.

The President will also probably hear comments on his economic policy and on the problem of Japanese imports, whose market penetrations has not been reduced by the voluntary restraints agreed between the administration and Japan earlier this year.

The leaders of the three largest companies, Ford, General Motors and Chrysler, do not agree among themselves, however, about the import and economic issues.

On imports, the question is whether the Administration will seek a tighter formula for the agreement with Japan and whether it will be extended beyond 1983.

The issue of air pollution laws is whether the Administration and Congress can agree to provide special exemptions under the Clean Air Act for the motor industry early enough to save the industry the costs of meeting tighter standards for their 1983 model-year cars, which go on sale in the autumn of 1982.

Two more victories in Congress

BY DAVID BUCHAN IN WASHINGTON

THE 97TH Congress ended its first session this week by giving President Reagan two further victories—a two-year foreign aid programme containing the first real rise in the level of assistance since 1979 and a four-year farm bill.

This capped a remarkably successful year for Mr Reagan on Capitol Hill, where Congress yielded to the President far more often than it defied him.

Mr Larry Speakes, deputy White House Press Secretary, listed yesterday several major Congressional victories this year.

These were two rounds of budget cuts, the big tax cut, the foreign aid Bill, the sale of Advance Warning and Airborne Control System (Awacs) aircraft to Saudi Arabia, the $200m defence budget and the pared-back spending resolution under which the Government will continue to operate until next spring.

Step to boost U.S. microchip research

By Louise Keyhoe in San Mateo, California

THE U.S. semiconductor industry, prodded by increasing Japanese competition and a chronic shortage of qualified electronics engineers, is forming a co-operative research organisation to fund long-term research in universities.

"The survival of U.S. technological superiority is the major goal of this project," said Mr Robert Noyce, vice-chairman of Intel, and chairman of the Semiconductor Industry Association (SIA), which has put together the effort.

The research body has been established by the SIA to "encourage increased efforts by manufacturers and universities in long-term semiconductor research and to add to the supply of professional people," Mr Noyce added.

He felt that the most important achievement of the research body woud be to produce more personnel for the U.S. electronics industry.

"The Japanese turn out more electronics engineers than the U.S. in an economy half the size," he commented. "To a great extent, the research body has been formed as a U.S. reaction to Japanese competition."

Characteristically, the U.S. research organisation will not have any government involvement, unlike similar projects in Japan and Europe. The founders hope to fund the scheme solely with donations from U.S. electronics companies.

"We have a great skill resource problem in the U.S. electronics industry," said Mr Erich Bloch, vice-president of Technical Personnel Development at IBM, and chairman of the interim board of the research organisation.

"I believe that the primary goal is to do meaningful research that will later be useful for product development and commercial exploitation.

Boeing wins orders for 26 aircraft worth £217m

BY OUR WORLD TRADE STAFF

BOEING, the major U.S. aircraft manufacturer, yesterday announced orders for 18 737 airliners and eight 727 aircraft with a combined value of $410m (£217m).

The orders, from four different sources, follow the declaration by Singapore International Airlines that it will buy eight Boeing 747 jumbo jets as part of a $1.8bn purchasing plan, the biggest aircraft deal announced this year.

But the latest orders do not mean any business for Rolls-Royce. All the aircraft will be powered by either Pratt and Whitney or General Electric engines. Singapore International Airlines has not yet specified the type of engines it will order.

Yesterday's orders were split between:

- Air France, which is buying 12 737s to bring into service from the summer of 1983;
- International Lease Finance Corporation, which will take delivery of two 737s in March and December 1982;
- Nigeria Airways, which will receive two 737s in December next year and a further two in July 1983;
- Pan American World Airways, which is taking delivery of two advanced 727s this month and a further six during the 1982 first quarter.

Pan American first placed its orders in 1980, but rescinded them in the middle of this year during a period of retrenchment. It has now stated that it will take delivery of the aircraft.

One feature of the Nigeria Airways purchase is that the deal will be locally financed. It is expected that the airline will soon decide to take a further four 737s. It would also like to buy two 747 Jumbo jets, but its plans have been thwarted by the Nigerian Government's reluctance to commit funds.

For Air France, the delivery of the Boeing 737 poses problems. The airline wishes to run them with a flight crew of two instead of the more normal three. This is prompting the flight engineers to stage a strike on December 22-23.

But Air France pilots support the purchase and had threatened their own strike if authorisation to purchase the aircraft had not come from the French Government.

UK aerospace exports head for record £2.75bn

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

EXPORTS BY the UK aerospace industry seem likely to set a record this year of about £2.75bn compared with last year's record of £1.77bn.

Overseas deliveries of aircraft, engines and equipment in September amounted to £250m, compared with the £174m recorded in the same month of last year.

The Civil Servants' strike earlier this year has prevented collation of detailed import figures for the first nine months as a whole, but the Society of British Aerospace Companies believes that the UK industry is still running a substantial surplus on its overall aerospace balance of payments account.

In September, exports of aircraft amounted to almost £135m, while overseas deliveries of engines amounted to over £90m.

The U.S. in September was again the leading customer for engines, taking over £45m worth, mainly RB-211s for the Lockheed TriStar and Boeing 747 Jumbo jet.

Indian deal awarded to Chevron

By K. K. Sharma in New Delhi

CHEVRON Overseas Petroleum of the U.S. has won the first Indian offshore exploration contract awarded to a private company.

This was announced yesterday by Mr P. C. Sethi, Petroleum Minister, to a parliamentary committee. Chevron has been awarded what is called the Saurashtra-2 offshore block off the coast of Gujarat on the western continental shelf. This is north of the oil-rich Bombay Highfield.

The detailed contract with Chevron will now be negotiated and indications are that production sharing will be permitted with the stipulation that the Indian Government should be given the right to buy the country's share until India reaches self-sufficiency in crude.

Mr Sethi said that a total of 35 oil companies responded to the invitation for bids for 17 offshore blocks and 15 offshore blocks. While 22 companies continued to show interest until the final stages of the bidding, only seven submitted bids. Of these, five were for the Saurashtra-2 offshore block.

The Government has decided to call for a second round of bids from foreign oil companies, Mr Sethi said.

Outlook poor as Swiss watch sales decline

BY JOHN WICKS IN ZURICH

THE SWISS watch industry is suffering from a decline in the sale of cheap mechanical watches, according to Horlogere, the trade association federation. Since the start of 1981 there has been a 32 per cent drop in the export of pin-lever products, while sales of cheap anchor movements have been hit by excessive stocks at distributor level.

A fall in demand for foreign assemblers has also meant that Swiss exports of watch components have fallen since the spring. The association says the rate of decline has been of 18 per cent for cheap mechanical products and 28 per cent for electronic components.

Despite this, luxury watches and branded watches in the upper price categories have kept up their export volume, while there has been a 46 per cent jump in the sale of electronic dial watches.

Swiss watch exports rose by 6.8 per cent in value during the first 10 months of 1981, or by as much as 14.3 per cent in terms of Swiss Francs.

The Federation expects growth to continue and to be centred on electronic analogue (dial) watches, sales of which are expected to increase from 10m units last year and 15m in 1981 to as many as 21m units next year.

These are seen as tending to replace medium-priced mechanical watches, though not those in top price brackets. Total volumes for medium- and top-priced mechanical watches are expected to drop from 25.5m units in 1980 and 22.8m this year to some 19.7m units in 1982.

The situation for lower-priced mechanical watches is viewed as "mediocre," particularly in the case of pin-lever watches and movements. Exports of this class are put at some 6.5m-7m units in future.

Meanwhile Horlogere has asked the country's national bank to consider re-introducing a programme to facilitate the forward sale of foreign currencies.

Paul Betts reports on the dilemma caused by New York's garbage strike

Mayor Koch grapples with loads of rubbish

NEW YORK is beginning to vespasian* although these useful if someone odorous public facilities are as rare in this city as peas are common in a pod.

For the past two weeks, some 2,000 drivers and helpers employed by private garbage-disposal companies which are responsible for collecting trash from commercial buildings, restaurants, shops and hospitals have been on strike.

The garbage, in black or transparent bags, has been piling up in great heaps not only in the streets but also on top of high buildings.

Some of the bags have been breaking, oozing their contents on the sidewalks. In some streets, you need to be an acrobat to enter a shop or a restaurant.

Some have caught fire and one blaze caused panic at Penn Central Station on Tuesday when commuters had to flee out of the large terminal across more bags into the street.

The situation has yet to develop into a full-blown city crisis. So far the cold weather and the snow have helped contain the danger of vermin and disease.

The other day, Mr Randy Dupree, a city health official and New York's rat-killing expert, claimed that the city's 8m rats were happy and warm in the buildings and flats in which they live.

Despite all the extra food on the sidewalks, the rats, he said, "aren't lean and hungry any more. They are also creatures of habit and are comfortable right where they live." But at some stage, many fear, they could be tempted to venture out in the cold.

New Yorkers generally agree that they have never before seen piles of rubbish quite this size on their streets. Two and a half years ago, the tug boats went on strike and refused to haul the trash to the Staten Island dump.

The garbage piled up in the streets because there was nowhere else to dump it. The mounds of garbage were smaller, but it was summer. They decomposed more quickly and smelt more pungent.

A state mediator has been called in to unlock the acrimonious talks between the Local 813 of the International Brotherhood of Teamsters representing the striking trashmen and the 400 private garbage contractors who make up the various local branches of the Association of Trade Waste Removers. A news blackout has been imposed on the negotiations.

The issue involves the commercial garbage collectors' new three-year contract. In New York, private contractors handle the commercial garb trash while the town hall is responsible for private or residential trash.

The union is asking for wage increases of $60 a week for the first year of the new contract and $40 a week for the following two years. A driver of a large carbage truck now earns $432 a week or more than $22,000 a year.

Drivers of smaller trucks earn $327 a week and helpers, who travel along with the trucks, earn $320 a week. Municipal garbage men earn between $350 a week and $410 a week under their current three-year contract which expires next year.

The private contractors have offered $5 a week more—or that was the last offer made before the news blackout was imposed. They are also seeking other concessions from both their workers and the town hall.

One of the most disputed issues has not been pay but a quirky aspect of the old contract concerning conditions. At present, after a driver and his helper have loaded their truck they both drive off to the dumping site. The garbage collecting contractors want to change this.

New York City yesterday declared a health emergency as a strike by commercial garbage collectors entred its 17th day. Paul Betts reports.

But a tentative settlement in the controversial dispute appeared in the offing last night. Negotiators for the private garbage contractors and for the Teamsters Union representing the sanitation workers announced last night they had reached a tentative settlement.

Details of the agreement for the private garbage collectors' new three-year labour contract were withheld pending ratification by the workers.

More than 100,000 tons of garbage has now accumulated in the streets of New York since the strike first started.

The city's health board declared the state of emergency late on Wednesday night

With garbage piling up at the rate of 6,000 tons a day on the streets on New York, city sanitation workers, who normally handle only residential garbage, began immediate pick ups of commercial trash, which is usually collected by private contractors.

They would like the driver and helper to transfer from their truck once they have completed their round to another truck and continue picking up garbage.

A second driver would then drive on his own the loaded truck to the city dump. This, the contractors claim, would greatly help productivity. But the drivers are insisting that the helpers continue to go along with them for the ride to the municipal dump.

But the two-men-on-every-truck rule is not the only controversial point. Trashmen employed by private contractors currently have 12 holidays a year on top of their annual leave.

The employers want their workers to give up one of these holidays—namely the worker's birthday when he can take the day off.

The employers also want the town hall, which regulates the rates they charge their customers, to increase these rates if they grant any pay increasaes to their workers. At present, the rate for picking up garbage is $6.50 a cubic yard.

For their part, the Town Hall and Mr Ed Koch, the city's outspoken mayor, who recently won a second term with a landslide victory in the city elections, face a dilemma.

They want the strike to be resolved quickly before the rats come out *en masse* and the public panics, but they also do not want the contractors to cave in to their workers.

But the Town Hall is worried that its own garbage men will ask for similar increases when the time comes to negotiate a new three-year contract next Spring.

Faced with such a dilemma, Mr Koch has been making vague threats that if the dispute is not settled soon, he will take "appropriate action".

*The Roman Emperor Vespasian not only built the Colosseum but also the first public urinals in ancient Rome.

BL vehicle sales in Italy will reach £100m this year

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL's VEHICLE sales in Italy will reach £100m for the first time this year.

Boosted by the introduction of the Metro in June, unit sales have jumped by 73 per cent on the 1980 level to reach more than 28,000 from last year's 16,182, according to BL Italia.

Since the company was set up in 1976, BL Italia's sales have increased sixfold and Sig Sergio Mia, managing director, says: "The main reason for the improvement this year was the Metro which is selling at the rate of 1,500 a month and growing steadily.

"Next year will see the launch of the Triumph Acclaim in Italy and other models so we are confident we can continue the sales growth."

AP reports from Tokyo: Japan's car imports this year are expected to dip below 40,000 for the first time in eight years because the sale of foreign-made cars in November totalled 34,740, down 14.3 per cent from a year ago, an official of the Japan Automobile Importers' Association said yesterday.

"Depression, an exchange rate in favour of the U.S. dollar and energy conservation are factors responsible for the current downtrend," he said.

Japan's car exports in the first 10 months of 1981 totalled 5.1m, up 3.1 per cent from the previous year, according to the Japan Automobile Manufacturers' Association.

The foreign cars made up less than 1 per cent of the national car market. A total of 3.5m units were sold in Japan during the same period. The new car market, however, dipped 2.8 per cent from the same period last year.

Arab invests in cement project

By Our New Delhi Correspondent

A BUSINESSMAN from Bahrain has made the first Arab investment in India in the form of Rs1m for a cement project in Uttar Pradesh.

The Rs42m (£2.5m) project will have an annual production capacity of 60,000 tonnes a year and it will use technology developed by Associated Cement of India. The investor is Mr Ali Hassan Mahmood.

The investment scheme, announced by the government, permits investment by Arabs in India to the extent of 40 per cent of the equity in new companies without any transfer of technology as is required in the case of normal foreign investment — the object being to attract petro-dollar investment.

The scheme has not been successful so far because the Arabs still prefer to invest either in Western companies or in bank deposits in the West where interest rates are high. The high Indian tax rate is also a deterrent.

Several Indian teams, including some sent by state governments, have gone to the Middle East in search of investors but without success.

Pakistan car move

Pakistan Automobile Corporation has been given government approval to manufacture four types of Suzuki Motor vehicles for domestic consumption, AP reports from Karachi.

Why the furore is growing over South Africa's international air links

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICA'S lenient treatment of the 44 mercenaries who hijacked an Indian airliner from the Seychelles to Durban last month has led to an international furore over that country's international air links, already the target of sanctions campaigns by groups opposed to the country's racial policies.

This has come into focus this week in the debate within the Montreal-based International Civil Aviation Organisation over possible action against South Africa.

This could involve an ICAO inquiry into the incident or a condemnation of South Africa.

But the possibility of further action against South Africa, such as the termination of air services, is thought unlikely in view of the high profitability foreign carriers enjoy on their South African services.

Other recent political events, however, are having a significant and long-term impact on air traffic between South Africa, its neighbouring states and the outside world.

Just a few years ago, almost every international flight to southern Africa ended at Jan Smuts Airport, Johannesburg. Sanctions had cut off Rhodesia from the outside world. Botswana, Lesotho and Swaziland were too small, in terms of both markets and airports, to justify air services beyond their immediate neighbours, while Mozambique and Angola were locked in their colonial links with Portugal.

But in the last two years—and especially since Zimbabwe's independence in April, 1980—the region's reliance on South Africa for its air links has diminished appreciably.

Salisbury is now served by more than a dozen airlines. UTA, the French carrier, launched a weekly flight to the Zimbabwe capital earlier this month, and Swissair expects to start a Zurich-Salisbury service in 1982.

Several of the airlines flying to Salisbury—Air India, Ethiopian Airlines and Kenya Airways are examples—keep away from South Africa for political reasons: moreover, they offer flights to several cities which are not directly accessible from South Africa.

For example, many Indians living in southern Africa prefer to fly to Bombay on Air India's flight from Salisbury rather than travel from Johannesburg via Mauritius.

Salisbury's emergence as an important air junction has been helped by a growing number of feeder services from other centres in the region, such as Manzini in Swaziland and Maputo in Mozambique.

Air Zimbabwe and Air Botswana recently inaugurated a twice-weekly service from Gaborone. Travellers from Botswana—admittedly, only a minute proportion of the region's overall traffic—will in future connect on many international flights in Salisbury instead of Johannesburg.

Mr Keith Petch, Air Botswana's general manager, observes that "it is not easy, with visas and so on, for many black Africans to travel via Johannesburg."

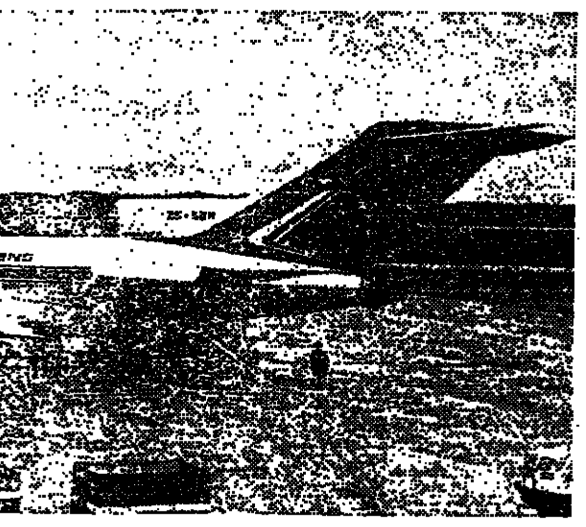
For the moment at least, Salisbury's new popularity among airlines has not had much effect on Johannesburg and South Africa airways.

Jan Smuts Airport remains by far the region's busiest. It handles close to 50 international flights a week and is served by 19 foreign airlines, including several from black Africa.

Despite two weekly Boeing 747 services to Salisbury, British Airways reports "heavy demand" for seats to and from Johannesburg. It is actively promoting what is known as VFR (visit friends and relatives) business in South Africa.

A Swissair official adds that "we have very good loads. We would like to have bigger planes and additional flights." Despite its difficulties elsewhere, Pan Am of the U.S. started a cargo service to Johannesburg earlier this year and hopes to restore passenger links soon.

South African Airways forecasts a 15 per cent growth in its international passenger traffic this year and a further 7 per cent increase in 1982.



A quiet airport: but elsewhere the rows continue

"I don't think the business is in Zimbabwe at this stage. The amount of traffic they will deprive us of is negligible," argues Mr Eddie Smuts, SAA's chief executive. Although ironically, SAA's flights to Zimbabwe are among its very few profitable services in southern Africa.

Black Africa has by no means freed itself completely from dependence on South Africa's air facilities. Air Zimbabwe and Zambia Airways' pilots still train on SAA's simulators in Johannesburg, while a private South African airline, Comair, operates and maintains Air Botswana's small aircraft fleet.

When Royal Swazi Airlines' only jet was crippled at Seychelles airport during the recent coup attempt (the mercenaries flew on the scheduled flight from Manzini), it turned to another South African company to charter replacement aircraft.

What worries the South Africans is that Salisbury's inability to generate sufficient traffic to satisfy all the airlines flying there will tempt some to find ways of persuading South African travellers to fly via Salisbury instead of directly to and from Johannesburg.

South African Airways has already had several approaches from other airlines to cut its Johannesburg-Salisbury fares, but it is taking a hard line.

One case involves the Quantas of Australia, which gave up its Sydney-Johannesburg flights several years ago in the wake of pressure. The withdrawal has left SAA as the only airline flying this route. The twice-weekly flights are booked up months in advance.

Qantas is thinking of flying from Australia to Salisbury, allowing SAA and Air Zimbabwe to ferry the bulk of its passengers on to Johannesburg.

The attractions of southern Africa's black-ruled countries to airlines and passengers is likely to grow over the next few years. Botswana, Lesotho and Swaziland have all announced major airport expansion plans.

Though these developments will free the countries concerned from using South Africa's facilities, their commercial viability will still depend heavily on South African business.

UK NEWS

Public sector buying policy rules relaxed

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

RULES governing the value for money that public sector organisations have to obtain when placing orders have been relaxed by the Treasury. Issues such as the survival of a key supplier can now be taken into account.

The revised rules, issued privately by the Treasury earlier this year, were published yesterday in a report from the Commons Public Accounts Committee, which gave the changes its broad approval.

They are part of a new public sector purchasing policy launched early last year by Sir Keith Joseph, Industry Secretary.

The aim of the policy is to use the buying power of public sector agencies to improve competitiveness.

It has been taken up in the private sector for application in large companies and on Wednesday gained the official support of the Confederation of British Industry.

The committee's approval will help the Industry Department to persuade public sector bodies to change their practices. In the past some critics of the new policy have been unwilling to follow it, saying they would be criticised when the committee examined their accounts.

But the committee's report warned that careful records would have to be kept. The Comptroller and Auditor General would examine what happened, and the Treasury and the Industry Department should consider how to monitor progress of the policy.

The Treasury changed its "value for money" guidelines so that factors other than immediate tender prices could be taken into account when orders are placed.

"It is the Government's policy that, as a matter of enlightened self-interest, public sector purchasers should use the influence their purchases give them to help develop the design, technology and competitiveness of their suppliers," said the guidelines.

"Value for money should not be judged solely on the basis of the lowest initial cost. Design, reliability and maintainability for example will affect the total cost over the life of a product.

"Factors such as these may justify a higher initial cost. Actions to promote the industrial viability and hence the *trading competitiveness* of suppliers can justify an additional cost or greater technological risk if over the longer term the purchaser expects to gain improved value for money."

Three "strategic and structural" long-term considerations were listed: safeguarding vital sources of supply; the length of a supply chain and its vulnerability to disruption; and the effect on future orders.

Medium-term considerations included various operating costs such as the costs of spares and servicing, the quality of after-sales service, the ease of legal recourse to a supplier, and replacement arrangements.

"Departments should decide on a case-by-case basis how the weight of such additional factors affects the balance between tenders," the Treasury said.

The guidelines also contained a list of "enlightened procurement procedures."

These include early discussions about requirements with possible suppliers, especially for big and important contracts incorporating new technology.

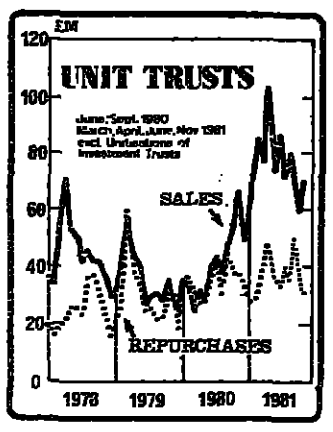
Product and process innovation should also be encouraged and requirements should be specified in performance terms rather than in detailed design specifications.

Unsuccessful tenderers should also, where possible be told why they have lost a major contract.

Third Report from the Committee of Public Accounts Session 1981-82. Introduction of a New General Policy for Public Purchasing. Commons Paper 29. SO. Price £2.45.

New funds help boost unit trust sales by one third

BY ERIC SHORT



THE UNIT trust market continues to be buoyant with November sales advancing one third on the month from £59.6m to £80.2m, well above the average monthly sales for the year. This figure was £15m above sales for November last year.

The public's continued confidence in unit trusts was even better illustrated by the £3m decline in repurchases in November to £30.5m, making net investment of £49.7m last month.

Last month's figures were boosted by the launch of six new funds, five of which were overseas, and £10.5m unitisation by Vanbrugh Life Assurance into the Prudential Vanbrugh Gilt Fund. If this latter figure is excluded, sales and net investment in November were £69.7m and £39.2m respectively — figures still well in excess of the October results.

The boom in unit trusts this year has already seen the previous annual records exceeded well before the year end. Sales have reached £900.5m for the first 11 months of this year. Net new investment has not quite reached the £500m mark, standing at £496m for the period, but given a continuation of the trend so far in December, there seems little doubt that the £500m level will be comfortably passed this year.

Mr Mark St Giles, chairman of the Unit Trust Association, pointed out that overseas funds had been in favour with investors this year and much of the success was due to the continued good performance of these funds, especially the Japanese and Far Eastern funds. But investment in UK-based funds had remained steady.

The total value of funds at the end of November amounted to £5.87bn—a rise of £470m on the month. The number of direct unitholders rose slightly on the month to 1.79m.

Industrial investment recovery of 2% forecast

By David Marsh

CAPITAL INVESTMENT by industry is expected to show a modest recovery of 2 per cent in real terms next year after a 4 per cent fall in 1981, according to an Industry Department survey.

A slightly larger rise is expected in 1983, as the economy picks up steam after the recession.

In spite of the projected rise next year, investment in 1982 is still expected to remain 1.5 per cent below the peak 1980 level.

In separate statistics published yesterday the Central Statistical Office's index of leading economic indicators provided more evidence that the economic upturn may falter in mid-1982.

The longer leading index, declining sharply between May and October, rose slightly in November because of a fall in interest rates and higher share prices.

The index looks ahead to turning points in the economy in about 12 months' time, however, and this still indicates that economic growth may undergo some temporary hesitation about the middle of next year, the Central Statistical Office said.

Slightly happier economic news was contained in a separate report from the Industry Department. This revised downwards the fall in industry's stocks in the third quarter of this year to £97m from the previous estimate made last month of £171m.

This indicates that destocking, which amounted to about £1bn in the first nine months after £1.9bn in the whole of 1980, had by September practically ceased.

The third-quarter fall was entirely the result of destocking in manufacturing and wholesaling sectors, as retailers boosted their inventories.

The Department's investment survey underlines the widening gulf between manufacturing industry, which has borne the brunt of the recession-induced *spending slump, and companies* in the service and distributive sectors, where investment is still growing fast.

By next year the Department expects more than 70 per cent of all industry investment will be carried out by the services sector, with much of the growth reflecting assets being acquired *for leasing*. The proportion has risen from 64 per cent in 1980 and an expected 69 per cent this year.

Investment by manufacturing companies is expected to total £3.62bn in 1981 at constant 1975 prices, including goods leased from the services sector. This represents a 13 per cent decline in real terms from the 1980 figure.

The fall is expected to continue next year, when manufacturing spending (including leasing) is predicted to decline by a further 1 per cent. The Department foresees the decline tailing off, however, in 1982 and *predicts an appreciable increase* in 1983.

Excluding leasing, manufacturing investment is forecast to fall by about 3 per cent to 4 per cent in 1982 compared with this year. This is closely in line with the thinking of the Confederation of British Industry.

In the services and distributive sector, investment in 1981, again at constant 1975 prices, is expected to grow by 4 per cent compared with last year, to £6.72bn. Growth is projected to continue at 4 per cent in 1982 and to accelerate to slightly more than 5 per cent in 1983.

The Department says the expected growth in 1981 to 1983 is due mainly to growth in investment in assets for leasing.

Lloyd's faces $30m computer lease claims

BY JOHN MOORE

LLOYD'S OF London underwriters face outstanding insurance claims up to $30m *(£15.67m) on computer leasing* insurances arranged by Itel Corporation, the U.S. leasing company, which filed for bankruptcy in January.

So far Lloyd's has reserved $444m for possible computer leasing insurance payouts, and the final figure could rise to $500m or more. Already the claims are the largest the Lloyd's insurance market has had to meet in its 300 year history.

Of the total figure paid out and reserved at Lloyd's, Itel and its bankers have received $120m. Lloyd's said yesterday that a conditional settlement has been reached with Itel to pay the company approximately $4m to settle all outstanding matters between Itel Corporation, its subsidiaries and underwriters.

But Lloyd's warned yesterday *that there are issues between* underwriters and third parties, such as Itel's bankers, to be dealt with even after this settlement. It is understood that *up to another $30m may have to be paid in further claims to the* bankers which supported Itel's computer leasing operations.

The settlement has been reached after Lloyd's entered Itel's bankruptcy proceedings as one of its creditors. Lloyd's effectively became a major Itel creditor after lodging a claim in *the U.S. courts* which alleged, among other things, that Itel had failed to exercise "due diligence" to diminish the loss as required by the policies."

Computer leasing losses arise from the policies which leasing companies arranged to protect themselves against early termination of leases by customers before the contract date. Lloyd's and a number of insurance companies which participated in the scheme has insured about $1.2bn on this class of business.

If customers terminated their leases before the contract date the leasing companies could claim on their insurances and cover their obligations to their bankers.

What went wrong for Lloyd's was that IBM introduced a new series of computer models which were more powerful and cheaper than their predecessors. Customers traded in their models earlier than the contract date and they claimed on their insurance. The insurances covered the differences between the monthly rental agreements and lower payments when the computer had been retired.

Lord Grade invites Holmes á Court to join board

BY JOHN MOORE

Lord Grade, chairman of Associated Communications Corporation, the entertainments conglomerate, has asked Mr Robert Holmes à Court, the Australian entrepreneur, to join his company's board as a non-executive director.

Holmes à Court recently acquired a stake of just over 50 per cent in Associated's non-voting "A" shares.

Lord Grade said yesterday that "the board firmly believe that anybody holding over 50 per cent of the non-voting shares should have just a few voting shares." Mr Holmes à Court is to be allowe dto hold 4,500 voting shares representing 2 per cent of the voting shares of Lord Grade's empire.

In other management moves Mr Derek Williams, group treasurer, and Mr Tony Lucas, the group secretary, have been appointed to the board. Lord Grade said a finance director would be appointed early next year, but would not give further details.

Mr Holmes à Court said he has become involved with the affairs of Associated not as a short-term investor but because he believed there could be a turnaround in the fortunes of Associated in the medium to long term. Associated has suffered heavy losses on its film production activities.

Mr Holmes à Court denied rumours that he was seeking to buy Express Newspapers from Trafalgar House but admitted he had made an offer for The Times when the titles were for sale. He said his offer had been for The Times only, rather than for the whole group.

Lord Grade said the compensation for Mr Jack Gill, the group's deputy chief executive who resigned suddenly earlier this year, would come up for approval by voting shareholders probably in the first week of January. It is widely believed that Mr Gill will receive a payment of around £500,000 although no figure has been given by Lord Grade.

Lord Grade said he expected to sell three of Associated's assets within the next two or three months. These are the music company, the Classic cinema chain, and the Airport Park Hotel in Los Angeles.

He indicated that sale of the site at Piccadilly Circus in London, once projected for an entertainment complex but in th eend found to be too small, was also likely. "But we are not in a hurry to sell it," he added.

BSC success means only 36 hour break

BY ALAN PIKE

THE BRITISH Steel Corporation, which was forced by slack order books to close its plants for two weeks last Christmas will this year stop production for only 36 hours.

The change illustrates the corporation's success in improving the loading of its major steel works, and in steel orders which reached a peak three or four weeks ago. Much of this improvement, however, reflects a rush of orders in anticipation of steel price increases next month, rather than a lasting pick up in demand.

BSC deliveries are expected to end 1981 at just under 11m tonnes, and to be little better next year.

In these circumstances the New Year message of Mr Ian MacGregor, BSC chairman, to his managers and sales force is that new markets for steel products must be found. The corporation will be making efforts to find new customers for semi-finished steel, both at home and overseas, in order to keep up production levels in its five big steelworks.

Even the plants which have shown the most dramatic productivity improvements, like Llanwern in South Wales, are hampered by insufficient orders and are unable to operate at maximum efficiency. It is not immediately apparent where new sales opportunities will be found.

The drive for increased sales—like Mr MacGregor's determination that the price rises proposed for the European steel industry next year must be achieved—is evidence that BSC will not return to profitability by productivity improvements alone.

The corporation's workforce is between 106,000 and 107,000, and is scheduled to be at 104,000 by the end of the financial year in March. BSC has told union leaders that it has a target of 92,400 for the workforce by 1983.

Head hunters help search for new NCB chairman

BY MAURICE SAMUELSON

THE GOVERNMENT has begun its search for a new chairman of the National Coal Board by retaining the services of a management consultancy to come up with suggested candidates.

The post will officially become vacant on July 2, 1982, when Sir Derek Ezra's present term of office ends. It has been renewed twice since he became chairman in 1971. He joined the board 35 years ago.

The Government has presumably given its "head-hunters" a somewhat wide brief because it has not yet decided whether Sir Derek should be succeeded by one person or whether his job should be split into that of a figure-head chairman backed by a chief executive.

The appointment will be made officially by Mr Nigel Lawson, Energy Secretary, but in view of its importance it will also reflect the views, if not preferences, of the Prime Minister *and other economic Ministers.*

Before succeeding Lord Robens as chairman, Sir Derek had been his deputy chairman. However, it is by no means certain that Sir Derek's successor will be chosen from inside the board. The Government's head-hunters may be looking outside for a candidate with qualities similar to those of Mr Ian MacGregor, chairman of the British Steel Corporation.

There has also been wide*spread speculation that the post* would go to a politician, as it did in the case of Lord Robens, a former Labour Cabinet Minister.

New Customs guide published

CUSTOMS AND EXCISE has published a guide to the new national computerised system for processing entries of imported goods, which is currently operating at Heathrow and Gatwick airports and will be implemented at the ports of Liverpool, Manchester, Hull, *Harwich, Felixstowe, Southampton*, Folkestone, Dover and Tilbury, the Customs House London Port, Stratford LIFT, and Manchester Airport

Heseltine action 'not reasonable'

MR MICHAEL HESELTINE, Environment Secretary, was accused yesterday of acting "unreasonably and therefore unlawfully" in deciding to take over council house sales in Norwich.

Mr Nigel Macleod, QC, for Norwich City Council, claimed in the Queen's Bench Divisional Court in London that Mr Heseltine had acted as no reasonable Minister would have acted.

He had taken the "drastic steps" open to him under Section 23 of the 1980 Housing Act without giving the local authority an opportunity of presenting its case, said Mr Macleod.

The Labour-controlled city council is seeking court orders quashing Mr Heseltine's decision to take over council house sales and preventing him from acting on his decision.

The application, which is being heard by Lord Justice Donldson and Mr Justice Robert Goff, is opposed by the Minister. The hearing is expected to last two days.

Mr Heseltine decided to step in with his own team of officials after accusing Norwich City Council of "dragging its heels" over sales of council homes.

Lord Justice Donaldson said that, as he understood the law, the duty of the divisional court was not concerned with whether it was wise for the Minister to take over or whether the sale of council houses was a good idea.

The sole question was whether the Minister's decision was one which could properly be taken under the Act.

Mr Macleod said: "The City council has made no secret of its view that the legislation providing for the sale of council houses is unwise, but equally it has disregarded that in the way it has carried out its duties. It *has every intention of complying with the law.*"

The legislation would mean selling £20m of housing stock in the council's area, he said.

Mr Simon Brown, opening the case for the Minister, said Mr Heseltine's powers to intervene in Norwich were not dependent on the city council's failure to meet *its obligations*, but rather on an assessment of the problems facing the tenants who wanted to buy their homes.

The case continues today.

Queen Victoria album fetches £4,800

QUEEN VICTORIA'S "Album Consolativum," which had raised *so much interest* at Sotheby's sale in London yesterday, was bought by Quaritch at £4,800 for the British Library. The two volumes contain verse and prose which comforted the Queen after the death of the Consort, and were amassed between 1862-1886.

Letters, manuscripts and documents fetched £197,219 altogether, with 11.5 per cent bought in. The highest price was for a Henry VIII document which went to Quaritch at £17,000. Papers relating to the establishment of the Penny Post made £15,000.

Quaritch paid £8,500 for an autographed manuscript of 57 lines from The Revolt of Islam by Shelley and £5,000 for a two-volume typescript of the Blue Book with autograph revisions and corrections by Wittgenstein.

Jewellery sold by the same house made £136,995. The highest price was £10,500 from Seymour for a 22.20 carat sapphire dress ring. A diamond bracelet made £9,500 and *Abrahams* paid £7,000 for an emerald and diamond brooch.

At Sotheby's Belgravia, Koopman paid £11,000 for an extensive crested table service.

SALEROOM

BY PAMELA JUDGE

£6,800 for one set of 12 dinner plates and £6,000 for a similar set in a sale of silver which totalled £216,737.

Christie's finished the autumn season with a sale of old masters totalling £363,143. A picture of a bull fight in Venice attributed to Giovanni Battista Cimaroli went for £27,500. Over at Christie's South Kensington, John Haley, Yorkshire, paid £3,600 for a Bing 1902 Phaeton —with one headlamp missing— measuring 13½ inches by 7½ inches.

Auctioneers report little progress in quiet year

BY PAMELA JUDGE

THE LACK of any real bounce in the art market was illustrated yesterday in figures issued by Christie's and Phillips, two London auctioneers.

Christie's finished the autumn season with worldwide sales of £70.8m, against £70.3m for the same period last year. The figures include the 10 per cent buyers' premium. More sales were held overseas, in Glasgow and at Christie's-Robson Lowe. At Christie's South Kensington, the auctions made nearly £7.5m (£5.7m).

Mr John Floyd, the chairman, was pleased that the company had managed to maintain the total of sales amid difficult international trading conditions.

Phillips' turnover for the year to December was nearly £33.5m, 2.1 per cent up on 1980. Mr Christopher Weston, the chairman, said that although it had not been a highly buoyant year, it was one which showed the importance of top quality items in times of recession. More bidders were buying unseen, relying on catalogues, and American buyers were again in evidence at international sales. German and Dutch buying had softened.

Bonhams, another big house, has decided not to issue results, and Sotheby's has reported a worldwide turnover of £321m (to August).

IBA offers Stoke contract

THE INDEPENDENT Broadcasting Authority has offered the contract for the Independent Local Radio service in the Staffordshire South Cheshire Broadcasting, chaired by Mr Samuel Jerrett.

Lord Thomson, the IBA chairman, said it was the first contract offered from the 25 new ILR areas approved by the Home Secretary in July. The station is expected to start broadcasting in 1983.

Levy to finance fare cut was beyond GLC's authority, Lords rule

The Labour council failed to balance travellers' and ratepayers' interests fairly, the court decided. **Raymond Hughes** reports

FIVE LAW LORDS were yesterday unanimous in their view that the Greater London Council had no legal power to finance a 25 per cent cut in London Transport fares by levying supplementary rate of 6.1p in the pound on the London boroughs.

The GLC had failed to hold a fair balance between ratepayers and the travelling public, said the Law Lords.

They dismissed with costs appeals by the GLC and London Transport against an Appeal Court decision to overturn a High Court ruling that the fare reduction was lawful.

The GLC's decision had been challenged in the courts by the London Borough of Bromley.

Lord Wilberforce said that in deciding almost to double the burden on its ratepayers to finance the fare reduction, the GLC had failed in its duty to the ratepayers and exceeded its legal powers.

Lord Diplock called the GLC's action a thriftless use of ratepayers' money. By not avoiding action that would involve forfeiting grants from central government, it had deliberately failed to deploy to the best advantage the full financial resources available to it.

Lord Keith of Kinkel said that the 25 per cent reduction was arbitrary. If valid, it would follow that similar arbitrary *reductions of 50, 75 or 90 per* cent would have been equally valid.

Lord Scarman said that it was plain that the reduction had been adopted, not because any higher fare level was impracticable, but as an object of social and transport policy. It was not a reluctant yielding to economic *necessity but a policy preference*, in which the GLC abandoned business principles.

Lord Brandon of Oakbrook said the GLC majority had been motivated solely by the belief that, because their election manifesto had promised the fare reduction, they were completely and irrevocably bound to implement it.

Lord Wilberforce said the GLC's action was attacked on two grounds:

- That it was beyond the council's powers as defined by the Transport (London) Act, 1969.
- That even if the GLC had the necessary statutory powers, it had invalidly exercised its discretion unler the Act, because it had acted unreasonably, had not taken into account the relevant considerations, or had misdirected itself in law.

Both those grounds, said Lord Wilberforce, depended on the fact that the GLC, though a powerful body, with an electorate larger, and a budget more considerable, than those of many nation states, was the creation of statute and had only powers given to it by statute.

The court recognised the wide discretion conferred upon the council by Parliament and would not lightly interfere with its exercise.

But the GLC's actions, unlike Parliament's, could be examined by the courts.

The general duty of the GLC under the Act was to take measures that would promote "integrated, efficient and economic transport facilities and services."

It had been argued that "economic" meant something like "on business principles," but the judge took it to mean "cost-effective," or "making the most effective use of resources in the context of an integrated system"—the meaning most favourable to the GLC.

The council owed a duty to two different classes: transport users, including commuters and tourists, most of whom did not pay GLC rates; and its ratepayers, who represented only 40 per cent of the electorate and probably a smaller proportion of the travelling public.

Those duties must be fairly balanced.

The LTE was required by law to operate on business-like or commercial, but not necessarily profitable lines, and was prevented from taking into account anything other than economic considerations.

Lord Wilberforce said that for years there had been political discussions about the extent to which public transport should be regarded as a social service financed out of taxes.

The Law Lords recognised the existence of that argument but could take no position on it. He was unable to see from the 1969 Act that Parliament had taken any clear stance on it.

The Act contained two clear provisions. The first obliged London Transport to make good a deficit in the following year. The second obliged the GLC to take action to enable the LTE to comply with its obligations.

It was clear that neither the LTE nor the GLC had the power totally to disregard any responsibility for ensuring, so far as practicable, that outgoings were met by revenue and that the LTE ran its business *on economic lines.*

The Act conferred a large degree of autonomy on the two bodies, but required them to operate subject to the interlocking restraints spelt out in it.

In Lord Wilberforce's view, neither body had acted in accordance with the statutory provisions and both were in breach of their duties under the Act.

Lord Diplock said the case was not concerned with the wisdom or fairness of the GLC's decision but with its legality.

The GLC contended that it had an almost unlimited discretion to decide, as a matter of civic policy, what proportion of *LTE revenue* should come from fares and what from GLC grants from rates.

The language of the 1969 Act was sometimes opaque and elliptical, and Lord Diplock differed from the other Law Lords in analysing it, in that he gave it a meaning that would give the GLC a considerably wider liberty of action in determining the general level and structure of fares.

But he did not accept that the requirement to meet "the needs of Greater London" was confined to the needs of people as travellers to the exclusion of their need as ratepayers not to have too heavy a burden placed on them.

The GLC's decision had not simply been about allocating a total financial burden between passengers and ratepayers, it was also a decision to increase the total burden so as nearly to double it and to place the whole increase on the ratepayers.

For, as the GLC well knew, it would entail the loss of a Government grant of nearly £50m, which would have to be made good by the ratepayers.

It had been contrary to London Transport's duties under *the Act to submit* proposals to the GLC which involved an arbitrary reduction in the level of fares, which it was not suggested had been fixed otherwise than in accordance with ordinary business principles.

And it has not been within the GLC's statutory powers to approve the proposals.

Lord Scarman said that "economic" in the Act meant not only a requirement that transport services be cost-effective, but also that they be provided so as to avoid or diminish, as far as practicable, the burden on the ratepayers.

The GLC's view that, if transport needs justified [illegible] deliberately choose an operating loss to be made good from the rates, would, if correct, make mincemeat of the council's duty to its ratepayers.

The GLC could make grants to provide for losses. But that did not mean that an avoidable deficit was acceptable because it was regarded as justifiable on the grounds of transport need.

Loss might be unavoidable; it did not thereby become an acceptable object of policy.

The Act required that fares be charged at a level which would, as far as practicable, avoid deficit.

Lord Brandon said it had been entirely wrong for the majority on the GLC to regard themselves as bound by their election promises, whatever the cost and other countervailing considerations might turn out to be.

They had persisted in implementing their pre-election policy, even after it had become apparent to them that, because of the withdrawal of the central government grant, the cost to the ratepayers of the London [illegible] very large [illegible] doubled.

ICL collapse would ...ave cost ...overnment £300m

... DE JONQUIERES

...VERNMENT would ...tily its computer sys... a total cost of £300... it ICL, Britain's biggest ...ter company, had col... earlier this year, accord... to official estimates disclosed yesterday in a report by the Commons Public Accounts Committee.

The estimates were published in the committee's first report on the Government's decision last March to grant a £200m loan guarantee to ICL, the Government's principal supplier of data-processing equipment.

The committee approved the decision but said that it was surprised the Government had not insisted ICL pay a charge in return. It asked the Industry Department to consider making a charge, in the form of a deferred payment, to any companies granted such guarantees in future.

According to the report, the Central Computer and Telecommunications Agency (CCTA), which advises the Government on procurement, had been asked earlier this year to estimate the cost to the Government, as a user of ICL equipment, if the company failed.

The CCTA estimated that converting and re-programming ICL equipment in use in central government would cost £150m-£200m. "Further associated costs and other consequential liabilities of a comparable amount, would be incurred by various other government departments," the report said.

The report also disclosed that the CCTA had concluded that the large Inland Revenue computer order awarded to ICL on a single tender basis last year could have been met more cheaply by rival manufacturers, if they had been allowed to bid.

The report does not give the various prices, but the committee's chairman, Mr Joel Barnett, quotes from a memorandum in which the former Civil Service Department is said to have concluded that ICL's price was too high to be considered satisfactory under existing procurement policy.

In the view of the Civil Service Department, a decision to award the contract to ICL on a single tender basis could only be justified on industrial policy grounds.

House of Commons Committee of Public Accounts: First Report on Government Financial Assistance for International Computers Ltd. HMSO £4.25.

Strathclyde publishes package for development

By Mark Meredith, Scottish Correspondent

STRATHCLYDE REGION yesterday announced a £300m blueprint for economic regeneration for the West of Scotland.

Strathclyde, with half of Scotland's 5m population, and up to 20 per cent unemployed among male workers, isolated 12 areas it considered in urgent need of renewal.

The proposals, however, appear to jump the gun as far as financial commitments from central government are concerned.

The blueprint depends on a £200m commitment from the Scottish Development Agency—money which is still under discussion between the regional authority and the agency.

The region says it will contribute £50m to the total package, with the rest of the funds coming from district councils and the private sector.

The confusion has been generated because Strathclyde has produced what it says is a cohesive strategy for the region over the next three to five years, while the agency says it is involved in a number of continuing discussions with the region on the 12 individual projects.

The agency said it was possible that the total amount of the renewal package would reach £300m, but with a total annual budget of £100m it was in no position to produce £200m in a lump sum.

The 12 areas listed in the Strathclyde report for attention were Alexandria, Renfrew (including Linwood and parts of Johnstone and Paisley), the Blantyre-Hamilton area, the Wishaw Bellshill area, Coatbridge, Kilmarnock, the Greenock Port Glasgow area, Saltcoats, the Govan Ibrox area, Port Dundas, Finnieston and Glasgow City Centre.

Central government and Strathclyde have worked on previous industrial renewal projects, but none near the scale envisaged yesterday by the region.

Strathclyde's proposals may not be popular with other Scottish regions also laying claim to assistance from the SDA.

The blueprint sees the agency assistance going towards the creation of advance factories and environmental improvements while the region would help through improvements in the local infrastructure, such as roads, sewage, and schools.

Combined heat and power scheme may be copied

BY MAURICE SAMUELSON

AT LEAST six electricity authorities may copy a scheme pioneered by the Midlands Electricity Board to build power stations providing cheap steam and hot water to industry.

The Government gave the MEB permission yesterday to build a 24 MW heat and power station at Fort Dunlop, the rubber products factory near "Spaghetti Junction" on the M6. It will provide heat for Fort Dunlop and power for the MEB's distribution system.

The MEB said it had been asked to give engineering advice for similar schemes to the East Midlands, South Western, Southern, South East, North West and Manweb (Merseyside and North Wales) boards.

The MEB opened the country's first power station selling both electricity and waste heat last year. At its 15 Mw plant at Hereford provides steam for two large factories and for nearby buildings.

However, the MEB says it does not have enough engineers to help other authorities as much as requested because it has another 12 schemes in the pipeline.

The Ford Dulop scheme is good news for the National Coal Board. Although the two generators will be fired by diesel oil, it will also comprise coal fired boilers using about 45,000 tonnes a year.

The site work will begin in January and the first supplies of steam and hot water will be sold in 18 months.

MEB officials said they believed the Government approved the scheme despite misgivings by the Electricity Council, the umbrella body of the electricity supply industry. The Board had sought Government backing almost two years ago. but approval was only given after the Commons Select Committee on Energy visited the Hereford plant last month and criticised the Energy Department's hesitation over Fort Dunlop.

Burr Brown plant for Scotland

By Mark Meredith

BURR BROWN Research Corporation, an electronics company based in Tucson, Arizona, yesterday announced plans to build a plant at Livingstone new town in Scotland. The decision could lead to the creation of 700 jobs.

The company produces signal conditioning components with applications in process control, environmental monitoring, biomedical electronics, test instrumentation and aerospace systems.

The announcement is another success for Scottish inward investment efforts, which have seen the region attract the largest concentration of electronics industry outside Silicon Valley in California. This year Nippon Electric and Motorola also announced location and expansion plans for Scotland.

No figures were given for the cost of the development. The timing is also uncertain but the company is expected to be on site in the New Year.

Burr Brown said its plant in Scotland would provide closer contacts with European customers. The plant is to be set up on the Kirkton Campus, in Livingston new town.

A 35,000 sq ft advance factory had been set aside for the company, according to a new town official.

Mr Alex Bennett, new general manager of the Scottish project, said the development of the plant would depend on the growth of markets. A small development of the plant would depend on the growth of markets. A small development and production group would be established but production activity would probably have to await an upturn in the sluggish electronics industry.

The plans called for the expansion in the number of products manufactured in Scotland and the phased introduction of locally-designed products. Half the output could be in local designs after three years, according to the company.

The Scottish Office has been seeking this type of investment, involving high-technology research and drawing on local expertise, rather than straight assembly operations.

Renault van may be assembled in Britain

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

RENAULT'S NEW van, the Trafic, will be assembled in Britain if British Telecommunications agrees to buy it in reasonable numbers.

This was made clear by Mr Laurent Brisset, chairman of Karrier Motors, the joint Peugeot-Renault company set up to take over the old Dodge Trucks business in Britain and France.

Mr Brisset said the UK Government had been given an informal undertaking by Karrier that the existing Dodge manufacturing facilities at Dunstable and the other interests would be developed and expanded.

Details of the longer-term plans for the Dunstable plant would not be known before March because so much depended on the contract with British Telecom, due to end that month.

The 25-year-old Dodge Spacevan will also go out of production with the ending of that contract. More than 225,000 Spacevans have been built, many of them for the Post Office and its telecommunications offshoot which took 3,500 this year.

But the company says it would cost too much to make the changes necessary to enable the Spacevan to meet braking regulations due to be introduced at the end of 1982.

There was no replacement being developed but Mr Brisset said that the Trafic, only recently launched by Renault, would fit the bill, and assembly at Dunstable would involve only a relatively small investment.

However, such a scheme might not be welcomed by Ford or BL whose Transit and Sherpa vans would be the Trafic's main competition.

Karrier has already decided to save about 60 jobs, that would have been lost because of the Spacevan's demise, by assembling the cabs for its Commando 2 medium truck range at Dunstable.

This work will be transferred by April from GKN Sankey's Telford plant. GKN said the move was taken into account when a further 340 redundancies were announced recently for Telford—but said the main reason for the job losses was a fall in demand for the wheels that plant produces.

Mr Brisset expects sales of Karrier's Dunstable-built Dodge 50-series and Dodge Commando 2 trucks to rise from about 5,300 this year to 6,700 in 1982.

He could make such a forecast because stocks had been cut to reasonable levels, the new Commando 2 had been well-received and there would be a major push on exports.

This would be done via RVI, Renault's commercial vehicle subsidiary, which had agreed to sell Dodge trucks through its world-wide network.

In France, 40 RVI dealers would be taking Dodge vehicles by the end of this year. Dodge trucks will be offered through the RVI network in Belgium next year and a contract has just been signed with the RVI importer in Holland to take the British-built Dodges.

This should push exports from Dunstable up from about 1,000 vehicles this year to 1,700 in 1982.

Even the expected boost in output would not put Dunstable back on full-time working but would take the plant from the current three up to four day a week working.

Mr Brisset said Karrier was still experiencing financial losses, that these would continue next year "and probably in 1983." "But this is a long-term venture. To maintain and develop our market share in Britain we must manufacture trucks here," he said.

Next year Karrier seeks between 10 and 10½ per cent of the UK market for trucks over 3.5 tons.

The old Dodge company reduced its workforce to about 2,000 in December 1980 by making 400 redundant. Ending of Spacevan production, which involved about a quarter of the Dunstable workforce, has cost another 180 jobs.

But the financial cost of the Spacevan shut-down is being borne by Peugeot via its UK car subsidiary, Talbot UK.

Mr Brisset said that eventually Renault's commercial vehicles would be made in the UK and Spain as well as France, using the Talbot facilities in Britain and Spain.

The developments at Dodge could be bad news for Perkins, the UK-based diesel engine subsidiary of the Massey-Ferguson group. Perkins supplies the majority of engines used in Dodge trucks.

British industry 'more competitive'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE INTERNATIONAL competitiveness of British industry has probably improved substantially says the Bank of England in its quarterly bulletin.

Manufacturing productivity for the third quarter of 1981 was 5 per cent better than the average for 1979, and 6 per cent up in the fourth quarter of 1980.

Labour costs in manufacturing had been broadly stable this year in spite of increased wages in the third quarter, partly due to the timing of some pay settlements.

This was in contrast to the last decade when labour costs nearly quadrupled.

The Bank says: "Labour costs abroad are probably rising faster than here. With the fall in the effective exchange rate (7 per cent between the second and third quarters and 10 per cent between the fourth quarter of 1980 and the third quarter of this year) there has probably been a *sizeable gain in competitiveness*—perhaps 10 per cent to 15 per cent—to set against the larger losses suffered earlier.

However, the fall in the exchange rate earlier this year put up the costs of fuel and raw materials.

Input prices stopped rising between August and November, although the wholesale price index was *16.5 per cent up on a year ago.*

Manufacturers had not raised their selling prices to the same extent, because of lower unit labour costs and weak demand.

Selling prices are now increasing at a monthly rate of ½ per cent to 1 per cent compared with 1 to 1½ per cent at the beginning of the year.

The Bank says there are signs of faster increases in the price of certain manufactured goods and it expects a higher rate of inflation for a few months.

However, *it says company profits are still very low*, in spite of a reduced labour force. Recent estimates suggest that *profits* (excluding North Sea operations) were almost the same as last year.

"Profit margins have been under severe pressure and most sectors of industry have experienced substantial falls in output.

"Real profitability has fallen to 2½ per cent compared with the previously recorded low point (before the recent declines) of *over 5 per cent in 1974.*"

The Bank adds: "The recent improvements in productivity, together with the fall in the exchange rate, may bring some relief to profit margins, against this the rise in interest rates during the summer will mean higher debt service costs."

"The difficulties experienced by many companies are underlined by the number of enterprises *going out of business*, about 30 per cent more in the first nine months of this year than in the same period of 1980. Against this there was some increase in the number of new companies registered."

Industry has had to pay higher local authority rates on top of the squeeze of higher costs and falling markets. The Bank says: "The increase in rates in the last couple of years must have adversely affected profits." By contrast, industrial and commercial companies paid *a slightly smaller share of total* rates in 1979 than they did in 1975.

Although economic growth among Britain's trading partners is expected to be faster next year, the Bank says the recent slight improvement of the British economy stems probably from the slower reduction of stocks. Consumer and investment demands are likely to remain very weak.

"*After the decline of the last* two years, the rise of output in the third quarter suggests that the worst of the recession in this country may have been passed." It adds: "The outlook for sustained growth is likely to depend in large part on improved competitiveness."

Exports excluding oil rose by 5 per cent between January and October, but this was from an exceptionally low level at the beginning of the year.

The Bank says: "A more secure comparison may be with the first quarter of 1980. Between then and this autumn, whereas UK export markets grew (perhaps by 3 per cent) *export* volume (excluding oil and erratic items) fell by 5 per cent, a loss of market share almost certainly due to the worsening of competitiveness in previous years.

"Although this past worsening may continue to affect exports for some time, it has now been partly reversed by the recent gain in competitiveness."

The Bank says: "The recent upturn in manufacturing production leaves it no greater than 15 years ago and 14 per cent below the average of 1979. GDP as a whole, as measured by output, was 5½ per cent below the 1979 average in the third quarter."

● *Bank of England Quarterly Bulletin Volume 21, No 4 from the Economics Division, Bank of England, London EC2R 8AH price £4 for single copies and £15 for annual subscription (£18 for 1982).*

Gilts bigger factor in national debt

By David Marsh

AN ANALYSIS of the composition of the national debt in the Bank's bulletin shows a rise in the proportion issued through gilt-edged stocks and national savings in the 1980/81 financial year. This reflected falls in the component of debt through Treasury bill issues and foreign currency borrowings.

The nominal value of the total debt at March 31 this year was £113.3bn, against £95.6bn a year earlier.

Official holdings — debt held by central government funds and the Bank of England—were little changed at £18.3bn (£18.2bn).

The nominal value of debt in market hands rose to £95bn from £77.4bn. Non-bank financial institutions, whose holdings rose by £6.7bn, were responsible for most of the increase. Almost all of this represented an increase in holdings of gilt-edged stocks.

Following large-scale foreign debt repayment, the foreign currency component of national debt in market hands fell to £3.1bn (3.2 per cent) from £3.9bn (5.1 per cent).

The portion covered by government and government-guaranteed stocks rose to £75.5bn (79.5 per cent) from £60.3bn (77.9 per cent).

National savings accounted for £11.6bn (12.2 per cent) against £7.9bn (10.2 per cent) a year earlier.

The Treasury Bill component dropped to £1.2bn (1.3 per cent) from £2.3bn (2.9 per cent). This reflected the Bank of England's greater emphasis on open market operations rather than on loans to the discount market for purposes of money management.

By share of different types of *holder, non-bank financial* institutions accounted for about 47 per cent of holdings of total sterling debt in market hands. *Insurance companies remained* by far the most significant holders with 25 per cent; building societies and private sector *pension funds each accounted* for 6 per cent. Overseas holders took up 11 per cent.

Japan banks role 'overstated'

BY MAX WILKINSON

THE FINANCIAL involvement of banks in the Japanese company sector is less than commonly supposed and likely to decline, according to a special article in the Bank of England Bulletin.

It says that although the average Japanese company still relies heavily on traditional sources of banking finance, the extent of this may appear to be exaggerated by Japanese accounting practices.

Published figures, for example, show that the average ratio of shareholders' equity to total assets in Japan has fallen from 40 per cent in the early 1960s to 15.3 per cent in 1980. This compares with about 50 per cent in the UK and 50 to 60 per cent in the U.S.

Japanese accounting, however has the effect of understating the equity and of overstating liabilities for tax and other reasons. The Bank says that some unofficial attempts to make adjustments for these conventions suggest that the equity ratio for 1975 could have been the equivalent of 40 to 50 per cent—similar to that in other advanced countries.

Accounting conventions also lead to an understatement of reported *profitability*.

The Bank says that while the traditional system of Japanese finance, involving close links *between groups of companies* and their banks, has had many advantages there are now strong forces for change.

One is that the Japanese people are tending to reduce the traditionally high proportion of their savings held in demand accounts with banks. They are now putting more money into interest bearing accounts, much of it with the postal system.

While banks have been unable to maintain their share of deposits they have also been constrained in their lending by the effects of official policies and the narrowing of their margins.

At the same time, the more successful companies have been striving for greater financial *independence*, which would reduce their reliance on bank debt and increase their chances of borrowing from abroad. The less successful companies, meanwhile, tend to be those which rely most heavily on the banking system.

The Bank says: "*Contrary to* received doctrine, between the periods 1954-63 and 1964-73 companies' dependence on borrowing declined and internal sources of funding increased in importance."

The process of liberalising and internationalising the Japanese financial markets should lead, the Bank says, to a more efficient allocation of resources, but life will also become more complicated.

"One consequence is likely to be increasing volatility of interest rates and this, above all, has alerted Japanese industry, bankers and government alike to the dangers of excessively high gearing."

U.S. banks' dominance in North Sea lending grows

BY WILLIAM HALL, BANKING CORRESPONDENT

AMERICAN BANKS dominate the financing of Britain's North Sea oil fields and account for £921m of the £2.35bn of outstanding loans, according to the latest figures from the Bank of England.

U.S. banks have always *been the biggest lenders in* the North Sea but the Bank's figures show that their share increased from 35.8 per cent in *August 1979 to 39.3 per* cent in August 1981.

In addition, they account for £781m, or nearly half of *the additional £1.68bn which* has been firmly committed to new North Sea projects.

The Bank has been *monitoring the financial re*quirements of the North Sea for several years, to obtain an early warning of any possible strain on the UK financial system or any disruption of the North Sea development programme *because of financing difficul*ties

The Treasury and the Department of Energy have *taken part in the monitoring* and annual North Sea lending statistics are collected from over 300 banks. The *new figures are contained in* a note to the latest edition of the bulletin.

The Bank's latest estimate of the outstanding North Sea financing requirement for 1981 is £9bn, rising to £9.3bn in 1982.

Outstanding loans in the North Sea rose by 21 per cent in the year to mid-August 1981, *but most of this appar*ent increase reflects the effect of the fall in sterling on foreign currency-dominated lending. *Two thirds of the £2.35bn* of outstanding loans are foreign currency-denominated.

The London clearing banks are the second biggest lenders in the North Sea, with £785m in outstanding loans and another £434m firmly committed. The three Scottish clearing banks' North Sea lending rose by 38 per cent to £134m and outstanding commitments increased by 55 per cent to £174m.

North Sea lending now *accounts for 17 per cent of* the foreign currency advances of the London clearing banks and 20 per cent of the foreign *currency lending of U.S.* banks in London. Significantly, U.S. banks are now committed to lending considerably *more sterling (£207m)* than the London clearing banks (£174m).

IDENTIFIED DEPLOYMENT OF OIL EXPORTERS' SURPLUSES
$ (billions)

	1979	1980	1981		
	Year	Year	Q1	Q2	Q3
United Kingdom:					
Sterling bank deposits	1.4	1.4	0.3	0.3	−0.1
Eurocurrency bank deposits	14.8	14.8	4.6	0.3	3.4
British government stocks	0.4	1.9	0.2	0.4	0.1
Treasury bills	—	0.1	0.2	—	—
Other sterling placements	0.4	0.1	—	—	—
Other foreign currency placements	0.2	−0.5	−0.1	−0.4	−0.1
	17.2	17.6	5.2	0.6	3.3
United States:					
Bank deposits	5.1	−1.2	0.5	−0.9	−2.0
Treasury bonds and notes	−1.1	8.2	3.0	2.5	3.1
Treasury bills	3.3	1.4	0.3	−0.1	−0.6
Other portfolio investment	1.1	4.7	1.4	1.3	1.8
Other	−1.2	0.9	−0.2	−0.2	*
	7.2	14.0	5.0	2.6	2.3
Bank deposits in other industrialised countries	18.7	26.2	−0.1	−1.0	*
Other investment in other industrialised countries	8.7	17.0	7.1	4.0	2.5
IMF and IBRD	−0.4	4.9	0.7	0.6	0.5
Loans to developing countries	9.6	6.7	1.2	1.7	1.4
Total identified deployed net cash surplus	61.0	86.4	19.1	8.5	*
Residual of unidentified items	2.0	39.6	4.9	4.5	*
Total net cash surplus derived from current account (as shown in the previous table)	63.0	126.0	24.0	13.0	*

* Not available.

***The total identified cash surplus* of the oil-exporting countries fell sharply in the first half of 1981 to $27.6bn from $45bn in the same period of 1980, according to an article in the Bank's bulletin.**

***The trend towards longer-term placement of the oil* surplus continued, however. The amount placed in longer-term investments rose to $19bn in the first half from $16bn in the 1980 period.**

***The flow of oil money to the U.S. and UK fell sharply in* the second quarter, to 38 per cent of the reduced cash surplus.**

Services contribution growth 'likely to be modest'

BY DAVID MARSH

BRITAIN'S balance of payments surplus in the provision of services to the rest of the world is likely to grow only modestly over the next few years. It may even contract in real terms, according to an article in the Bank's bulletin.

Since the late 1960s, services—in the financial, travel, shipping and other areas—have been replacing interest, profits and dividends as the major contributor to Britain's traditional invisibles surplus.

The Bank notes that Britain's current account has historically been characterised by a deficit in visible trade and a surplus in invisibles.

COMPONENTS OF THE SERVICES BALANCE (£m)

	1978	1979	1980
Government	−698	−799	−791
Travel	958	688	208
Civil aviation	279	288	395
Sea Transport	−18	121	135
Financial and allied	1,542	1,601	1,595
Other	1,648	2,140	2,646
Balance	3,711	4,039	4,188

Growth of the services surplus was particularly rapid from 1973 to 1978, reflecting buoyant overseas income and trade and sharply improving UK price competitiveness.

Financial and "other" services—the latter made up mainly of construction and consultancy earnings, commissions, *royalties and spending by over*seas governments, students and journalists—made a significant contribution to this growth. The combined travel and civil aviation surplus also grew strongly up to 1977.

During the past three years the financial and allied services surplus has stagnated while a sharp rise in travel debits has almost eliminated the surplus in this area. The sea transport account has remained in near balance.

The Bank says the value of the services surplus is likely to grow relatively slowly over the next two or three years, and that any growth is likely to arise more from the impact of strongly rising average prices than from much improvement in the real surplus.

As a proportion of the average of invisibles credits and debits, the *services surplus* grew from near zero in 1966 to over 20 per cent in 1977 and 1978 before falling back somewhat during *the past two years.*

The generally favourable performance is in contrast to the other major component of *the current account*—the trade in manufacture goods. In the mid 1960s the surplus on such trade represented 40 per cent *of the average value of visible* exports and imports. In 1979 and 1980 it was only 6 per cent and 12 per cent respectively.

Praise for performance of variable rate stocks

BY MAX WILKINSON

THE BANK gives a favourable *review in its bulletin of the* performance of Treasury variable rate stocks, the first of which matured in November. It strongly hints that it might favour a further issue if there appeared to be sufficient demand.

It says: "Only £800m of Treasury variable rate stocks remain in issue. Nevertheless the scope for expanding the role of variable rate debt in *the public sector will remain* under active review."

The first of these stocks was issued in May 1977, followed by issues in July 1977 and January 1979. Each was for £400m with interest payable half-yearly at an annual rate ½ per cent above the daily average of the discount rate on 91-day Treasury bills over the previous six-month period.

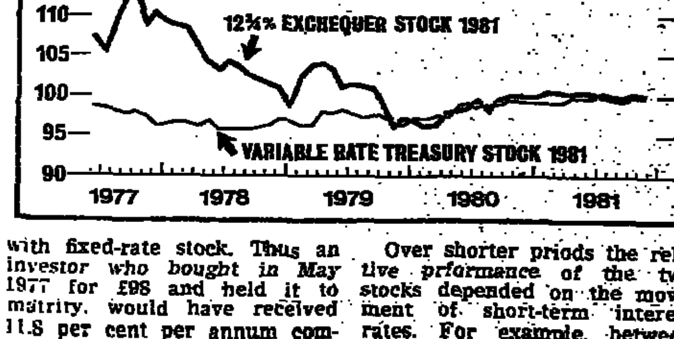
The object of these stocks *was to protect capital against* the risks of fluctuation as interest rates changed, since the effective rate of interest paid on the stock would adjust automatically to market trends without any change in capital values.

Analysis of the history of the first of these stocks in its four and a half years showed, the Bank says, "considerable price stability relative to fixed-rate *gilt-edged stocks of a com*parable maturity," as the chart shows.

For most of the first three years, its price fluctuated between £96.50 and £98.50, and then moved between £98.50 and £100.

The Bank says: "Over its life as a whole the first variable rate stock yielded a highly competitive rate of return, compared with fixed-rate stock. Thus an *investor who bought in May* 1977 for £98 and held it to matrity, would have received 11.8 per cent per annum compared with 10.6 per cent per annum on £12¾ Exchequer 1981, which matured six days after the first variable rate stock."

Variable rate gilt-edged stocks



Over shorter priods the relative *prformance of the two* stocks depended on the movement of short-term interest rates. For example, between September 1977 and December 1978 (when interest rates rose sharply), th total return on the variable rate stock was 17.5 per cent per annum while that on the 12¾ per cent Exchequer 1981 was —3.1 per cent. Conversely when interest rates fell, the fixed rate stock performed relatively better."

However, in spite of the price stability and the comparatively good return. The Bank says that none of the Treasury's variable rate stocks has attracted non-bank holders on a regular substantial basis, even when *interest rates seemed likely to* rise.

"The value of these stocks in helping to restrain the growth of *sterling M3* has therefore been modest.

"Banks and discount houses, on the other hand, found them attractive, no doubt because they have provided a relatively risk-free but profitable way of employing short-term funds."

Government reconsiders public sector audit plans

By Peter Riddell, Political Editor

THE PRIME MINISTER confirmed yesterday that the Government was reconsidering its proposals on public sector auditing in the light of criticism from many MPs of all parties.

The Treasury has been forced to examine major changes to its White Paper on the role of the Comptroller and Auditor General, who audits the public sector. This follows attacks from all sides in a Commons debate on November 30, and the support of more than 250 MPs for a motion criticising the plans.

The key question is whether the Comptroller should be allowed access to the books of all bodies receiving money voted by Parliament. The all-party public accounts committee and other committees have pressed for greater accountability to Parliament of nationalised industries and other public sector bodies. Both the Government and the industries have opposed the move.

Tory party managers believe powerful arguments were raised in the Commons debate and they hope Sir Geoffrey Howe, Chancellor, will be sympathetic.

Mrs Thatcher said during question time yesterday, that Sir Geoffrey would "give careful consideration to the important issues raised and would make known his conclusions as soon as possible after the House returns" (following the Christmas recess).

Mr Joel Barnett, chairman of the public accounts committee, said the motion clearly expressed the views of the whole House. In reply, Mr Francis Pym, the Leader of the Commons, conceded that the views "should be considered by the Treasury."

The most likely concession is that the Comptroller will be given greater access to the accounts of public sector bodies, so broadening parliamentary accountability.

The Treasury may still want some restrictions on the extent of such access. The Government's reliance in its White Paper on using the monopolies and mergers commission to improve public sector efficiency, now looks less credible in view of recent controversy over the Commission's report.

Senior MPs expect the Government to concede that the Comptroller should be appointed by a House of Commons Commission instead of the executive.

The Government is expected to make no concessions on proposals for separate auditing of local government, included in a Bill already published. There is also unlikely to be legislation reviewing the broader issues of accountability and updating some quite antiquated laws.

Howe rejects bonus call

SIR GEOFFREY HOWE, the Chancellor, yesterday rejected a call to increase the pensioners' £10 Christmas bonus to help with fuel costs during the exceptionally severe weather.

"On the experience of the first few weeks of this winter, it is difficult to conclude statistically, or for any other reason, that it is likely to be different from any other winter," he told MPs at Question Time in the Commons.

Shadow Chancellor Mr Peter Shore had urged Sir Geoffrey to "look again at the Christmas bonus, or post-Christmas bonus, as one possible way of assisting many people being seriously affected by the appalling winter."

Next week in parliament

COMMONS

Monday: debate on Private Members' subjects.

Tuesday: Hops Marketing Bill Lords, Remaining stages of the Currency Bill; debates on Poland and the Middle East.

Wednesday: debate on Private Members' subjects. House adjourns at 3.30 pm.

Poland debate

THE COMMONS will debate the Polish crisis next Tuesday, Mr Francis Pym, Leader of the House, said yesterday.

Labour demands changes in law on fare subsidies

BY IVOR OWEN

LABOUR LEADERS yesterday started a campaign in the Commons to pressurise the Government into changing the law in the wake of the House of Lords' judgment that the Greater London Council's policy of using ratepayers' money to enable London Transport to reduce fares is illegal.

Mr Michael Foot, the Opposition leader, warned that if the legal position were to remain that stated by the Lords, there would be a chaotic situation with "serious consequences" for travellers in London.

The Prime Minister refused to be stampeded into an early decision, arguing that, as the judgment covered some 100 pages, more time was needed for the Government to study all its implications.

Mr Foot supported demands for an emergency debate and, when these were rejected by the Speaker, Mr George Thomas, he gave notice that the Opposition will make a fresh attempt on Monday, before the Commons adjourns for the Christmas recess on Wednesday.

Meanwhile, some of the matters arising from the judgment will be discussed in a five-hour debate in the Commons today on a Private Member's motion, calling attention to communications in London and the South-East.

Mr Foot urged the Prime Minister to take early action to introduce legislation to restore the law to the position "many people thought it was before."

Mrs Thatcher angered the Labour benches by welcoming "the clear and unanimous" judgment by the Lords and congratulating the Conservative-controlled London Borough of Bromley for initiating the action which led to it.

The law lords had decided, she said, that the GLC had acted outside the rule of law which protected the citizen against the arbitrary exercise of power.

The Prime Minister told Mr Foot she could not agree if he was suggesting that the judgment precluded the possibility of ratepayers' money being used to subsidise fares.

Michael Foot

Norman Atkinson

She explained: "I understand the main burden of the judgment in that particular respect is that London Transport has a duty to budget to make a reasonable effort to break even, recognising that in present circumstances it may well not do so.

"The previous year's London Transport budget, set on the basis that there would be an £80m subsidy from the GLC, constituted just such a reasonable effort, and that subsidy in itself was not unlawful."

Mr Foot contended that a debate was needed to clarify the whole question of what constituted an economic transport policy. Legislation was needed to make perfectly clear what was a proper "fares fair" policy for Londoners.

The Prime Minister retorted: "First of all one must look in detail at the House of Lords judgment before rushing into instant solutions or action."

The judgment, she said, had not been concerned with the fairness of the GLC's decision to cut London Transport fares by 25 per cent, but with the legality of that decision and whether it was within the limited powers which parliament had conferred by statute on the GLC.

Mr Norman Atkinson (Lab., Tottenham) claimed the judgment would be considered "an extra-parliamentary political instrument" used by the Lords to further the politics of the Conservative Party.

He was interrupted by the Speaker, who reminded the House that it would be as out of order to question the motives of the judiciary as it would be to accuse MPs of acting from dishonourable or unfair motives.

Mr Albert Booth, Labour's shadow Transport Minister, maintained that the effect of the Lords' decision would be to deny the voters of London the democratic right to choose a fares policy to be operated by their own elected body.

Mr Christopher Price (Lab Lewisham West) expressed concern about the effect of the judgment on the legal liability of individual members of the GLC, and pressed the Government to protect their position by speedily introducing an indemnity Bill.

Liberals plan corporate fund raising campaign

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

THE LIBERALS are shortly to launch a new corporate fund raising campaign. A team of about a dozen industrialists headed by Mr John Pardoe, former economics spokesman, has been set up to lobby companies.

The decision to launch the campaign follows the failure of the Liberals to persuade the SDP to take part in a major fund raising campaign for the alliance as a whole, and could mean that the Liberals and the SDP are competing with each other for company donations.

The Liberals are concerned that the SDP's refusal to launch a major joint appeal with the Liberals could mean that the alliance fails to tap all the funds potentially available to it.

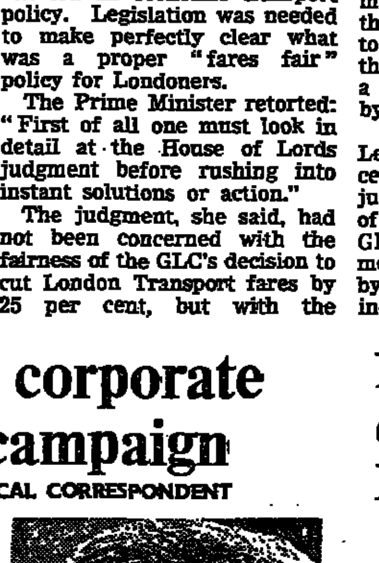
They believe there may be companies which would be prepared to give money to the alliance, but which are reluctant to give money to either of the parties individually.

The SDP, however, is determined to concentrate its main fund raising activities on raising money for its own organisation.

The only joint appeal they have agreed to is for funds to finance the two joint commissions set up by the Liberals and the SDP.

For their part, the SDP has called in a firm of American fund raisers to advise them on raising money. They have also set up a committee of industrialists which is approaching companies for money. It also intends to bring forward to January the renewal date for subscriptions of those members who joined the party in the first for months after it was formed in March.

The Liberals, who run a far smaller central operation than the SDP, insist that the emergence of the SDP has made it no more difficult for them to raise money from industry, and that support for the alliance has led some companies to consider giving money to the Liberals for the first time.



John Pardoe: lobbying companies

Nevertheless, behind the disappointment about the SDP's decision, lies an element of jealousy. Some senior Liberals believe that some companies may be giving money to the SDP on the assumption that they are contributing to the alliance as a whole.

At present, the SDP is raising far more money from its members than the Liberals, who this year had a central budget of around £300,000.

Assuming that most of its members renew their subscriptions the SDP should have an income of at least £600,000 from its members alone next year.

But the party does not consider this anything like enough to set up the kind of organisation it will need to fight the general election.

Once the general election is declared, it is assumed in both camps that a joint campaign will be launched.

But the party does not con- agreements in the run up to the election about the degree to which the two parties should pool their resources.

Minet chairman calls for tighter Lloyd's rules

By John Moore

A CHAIRMAN of a major Lloyd's insurance broking company with extensive Lloyd's underwriting interests said disciplinary powers at Lloyd's should be "draconian."

Mr John Wallrock, chairman of Minet Holdings, was speaking to members of Commons committee reviewing the Lloyd's Bill of Parliament for improving self regulation within that insurance market. He said: "I would like the strictest rules in the world." The powers could not be draconian enough.

He told Mr Michael Meacher (Lab, Oldham West), chairman of the committee, that he believed that in any community like Lloyd's there would always be a few people "who get round th erules or take advantage."

Mr Wallrock was giving evidence for Alexander Howden Group which has lodged a petition with Parliament seeking the removal of a clause from the Lloyd's Bill. The clause calls for brokers to terminate their shareholding links with the companies which run underwriting syndicates. Parliament has insisted that Lloyd's retain the clause in its new legislation because of conflicts of interests between the brokers and companies.

Mr Wallrock had said that problems usually emanated from small independent underwriting syndicates or the small independent underwriting agencies. "I have never known in my career any syndicate that is managed by one of these major broking houses to have any problems."

Mr Meacher asked why Sir Henry Fisher, who had studied self regulation at Lloyd's, had not made the distinction between small and large units in the report he prepared. Mr Wallrock agreed it had not appeared in the Fisher report.

The Committee adjourned until Monday.

Premier sees economy considerably improving

By John Hunt, Parliamentary Correspondent

THE PRIME MINISTER told the Commons yesterday that the economic indicators showed that "things are considerably improving" in the economy.

A line of cautious optimism was taken earlier by Sir Geoffrey Howe, Chancellor of the Exchequer, answering Treasury questions.

This was echoed by Mr Leon Brittan, Chief Secretary to the Treasury, who said: "With the renewal of growth in the economy, there is a real prospect that public expenditure will once again begin to fall as a percentage of gross domestic product. And that may very well happen next year."

Mrs Thatcher agreed with Sir William Clark (Croydon South), chairman of the Conservative back-bench Finance Committee, that there were signs of the economy's picking up.

Overtime in manufacturing industry was dramatically up, she said, and shortime dramatically down. Industrial and manufacturing production were up, and she welcomed the cyclical indicators released yesterday.

Unemployment over the past two months was slightly down.

Mr Michael Foot, Leader of the Opposition, predicted that the unemployment figures to be announced on Tuesday would be a post-war record.

The Chancellor recalled that the retail price index for the year to October increased by 11.7 per cent.

He forecast that the figure would slightly worsen in the next two months, reflecting the lower exchange rate and the sharp increases in the price of imported raw materials and fuel.

Nevertheless, he was confident that the country could look forward to further progress in reducing the rate of inflation next year.

Output from manufacturing industry for the third quarter was 2½ per cent above the second quarter, and industrial production was up in the last three months.

"All these factors point in the direction of a continued growth for national output."

Mr Michael Latham (C, Melton) wondered whether the improvement in the economy would take place fast enough to produce a cut in taxation. If not, he suggested, the Chancellor should give the economy a "fiscal shove."

Sir Geoffrey assured him that everyone in the Conservative Party wanted to secure reductions rather than increases in taxation. But that decision would depend on the balance between expenditure and revenue.

A similar question was put to Mr Jock Bruce - Gardyne, Minister of State at the Treasury. He assured Tory back-benchers: "The Government would obviously like to make further progress towards lower taxation in next year's Budget.

"This does depend on progress in controlling expenditure and the need to bear in mind the problem of financing the borrowing requirement which will emerge from next year's Budget."

At question time there was strong pressure from both sides of the House for a reduction of two percentage points in employers' national insurance surcharge.

Sir Geoffrey replied that this was a matter which had to be considered "in the light of the total revenue position when the time comes to do that."

Gowrie says Irish talks 'no threat to Ulster'

Financial Times Reporter

NORTHERN IRELAND had nothing to fear and great deal to gain from the Government's decision to develop Anglo-Irish relations, Northern Ireland Minister of State, the Earl of Gowrie, said in the Lords yesterday.

He was speaking just before the House approved the renewal, for a further six months, of the Northern Ireland (Emergency Provisions) Act. The Order, which continues the emergency powers of the security forces, had been approved by the Commons on Tuesday.

Lord Gowrie said he looked forward to the day when the powers would be no longer needed. Progress towards improving security could not be divorced from development in relations with the Republic, the economy and political advance.

Lord Gowrie said: "Good relations between London and Dublin can only help our security effort."

Cross-border security co-operation had produced solid results, and was "excellent," he said.

Lord Gowrie added that there could be no question of integration or a return to the old-style Stormont. Local representatives wanted the transfer of powers to locally-elected representatives.

"That is the Government's aim, it is the most likely means of governmental arrangements . . . ceptable to both parts of the community and as a method of easing tension."

N. Sea oil output cuts decision in new year

BY MARTIN DICKSON, ENERGY CORRESPONDENT

A GOVERNMENT decision on whether to order cuts in North Sea oil production is likely to be announced early in the new year, Mr Hamish Gray, Minister of State at the Department of Energy, said yesterday.

Under the so-called Varley assurances given by the previous Labour Government, 1982 is the first year the Government may order cuts in production from oilfields discovered before 1975.

Mr Gray, giving evidence on the Government's oil depletion policy to the Commons select committee on energy, said he hoped to be able to say "something positive" on the question in the very near future.

He said Government policy was to consider cuts only as a last resort since such restrictions would have to be imposed after oil companies had committed themselves to massive capital expenditure in developing fields.

The Government preferred deferring the development of fields—the course ministers took last year when they ordered the British National Oil Corporation to defer production from its Clyde oilfield by two years.

He denied this decision had been taken at the insistence of the Treasury which is concerned about the implications for the public sector borrowing requirement of capital commitments by state-owned BNOC.

The same action would have been taken irrespective of the company operating the field. The decision had been taken by the Energy Department on depletion policy grounds.

Since the Clyde decision, the department had received no further requests by companies for permission to develop fields.

This was not a cause for worry, Mr Gray insisted. There were a number of operators drawing up plans who were holding back because they had not yet resolved technical development problems.

The Government was in general satisfied with the rate of North Sea drilling, which had risen substantially in the first 11 months of this year compared to the same period of last year and looked like remaining at about the same level next year.

Since 1979, 17 discoveries had been announced and companies had made some small additional finds which had not been publicly revealed.

Mr Gray said he was not satisfied with companies' drilling records on acreage distributed in the early North Sea licencing rounds.

All blocks distributed under the Government's first four licencing rounds had had seismic surveys or initial drilling, but up to 20 per cent in each round had not been drilled subsequently.

Employers seek lay-offs clause in union Bill

BY IVO DAWNAY, LABOUR STAFF

THE Engineering Employers' Federation yesterday said it would persist in its campaign for a "lay-offs" clause to be incorporated in the Government's industrial relations Bill.

The EEF is seeking regulations to allow employers to suspend all workers without pay when their businesses are threatened by industrial action from a small group of employees, or where production is hit by disputes in vital public sectors such as power, water or transport.

The federation's proposal, which would radically shift the balance of power from the trades unions to the employers, was not included in the consultative document published by Mr Norman Tebbit, the Employment Secretary, last month.

Mr. Anthony Frodsham, director general, told a meeting in London yesterday that the move would protect businesses threatened with closure by strikes without invoking criminal law or creating union martyrs.

"It would deter irresponsible militancy, given the knowledge that serious disruption by a few employees could result in the suspension without pay of their workmates," he said.

Mr Frodsham thought the decision whether companies would be allowed to lay-off workers would have to be taken by the court under a framework laid down by the new Bill.

The EEF regarded action on this aspect of the law as a priority and remained doubtful that the Government's proposals on strengthening legislation against the closed shop would contribute usefully to a reform of industrial relations.

Nevertheless, Mr Frodsham said the apparent growth of support for the SDP-Liberal alliance was creating a climate in which permanent union reform was possible after years in wich every attempt to legislate on the unions had been countered by opposing measures by successive governments.

However he was quick to emphasise that the EEF was not advocating support for the Alliance. "It is not our business to play politics," he said, "but I am saying that their advent upon the scene, together with the possible introduction of proportional representation may bring new hope to our industrial relations structure."

Court told union official intended to picket tax collectors' homes

BY PHILIP BASSETT, LABOUR STAFF

A CIVIL SERVICE trade union official told a senior Inland Revenue collector who moved tax cheques blacked in this year's 21-week pay strike in the service that he intended to picket him at home, the Edinburgh Sheriff's Court heard yesterday.

Charges were brought under the Conspiracy and Protection of Property Act, 1875, against Mr Ted Elsey, an assistant secretary of the Inland Revenue Staff Federation.

Mr Elsey was Council of Civil Service Unions' full-time co-ordinator of the strike at the Revenue Computer Centre, Cumbernauld, near Glasgow.

With a similar centre at Shipley, West Yorkshire, it was brought out on strike to prevent transmission to the Government of Pay-as-you-earn and Corporation taxes and National insurance contributions.

Processing and banking of all these is handled by the two offices.

The case is regarded as of wide significance for the law in relation to unions.

Mr Elsey was charged with wrongfully and without legal authority persistently following the two senior Revenue officials at Cumbernauld. They had been taking blacked mail through picket lines at the centre to send it to be processed in London.

Mr Andrew McMaster, collector-in-charge at Cumbernauld, told the court that pickets at the centre suggested he was taking cheques home for processing, though he told the court that he had never done so.

On the morning of April 7 Mr Elsey told him outside the computer centre he would picket him at home if he was processing cheques there. In view of pickets' earlier activities in following cars carrying the blacked mail, he was convinced Mr Elsey was serious.

Mr McMaster agreed with Mr Elsey's counsel, Mr John Cameron, QC, that he was not aware of his home ever actually having been picketed.

Both Mr McMaster and Mr James Rose, his deputy at the computer centre, told the court that Mr Elsey was one of three car-drivers who followed them on April 1 when they took a package of unopened envelopes, containing cheques, through picket lines to be posted.

Mr McMaster said he could not put a value on the cheques in the package. The centre on average dealt with between £50m and £250m a day, he stated.

After being consistently boxed in by the three cars on the motorway to Edinburgh to post the package, Mr McMaster said, he and Mr Rose split up. Mr Rose went to his own home with the package containing the envelopes still in his hired car.

Mr Rose said that Mr Elsey followed him there, and when he got out of his car outside Mr Rose's house said that the package in the back of Mr Rose's car was proof that he was processing cheques at his home, and so there was justification for picketing him there.

Mr Rose gave him 60 seconds to leave, and when he refused called the police.

On the following day police provided an escort for Mr McMaster and Mr Rose.

Mr McMaster confirmed that he and other collectors in charge received a note from Inland Revenue management in London well before the strike saying that he could use this Act in difficulties over picketing.

Chief-Inspector Brian Day, who warned Mr Elsey and three others outside Mr Rose's house that they had committed an offence in following him there, told the court that he thought he did not mention the 1875 Act specifically then, but could have done so, as he had refreshed his memory of it the previous night.

The case continues today.

2,000 civil servants in protest march

BY OUR LABOUR STAFF

CIVIL SERVANTS in Edinburgh yesterday staged a protest march and ralyy as part of test march and rally as part of a day of action to coincide with trial of Mr Ted Elsey, an assistant secretary of the Inland Revenue Staff Federation, on charges brought under the Conspiracy and Protection of Property Act, 1875.

After a small demonstration outside the court building before the trial began, about 2,000 civil servants marched through the centre of Edinburgh, to a cinema, where at a lunchtime rally they heard senior officials of the Civil Service unions and a speaker from the Scottish TUC stress the implications of the case for the rest of the trade union movement.

The Act has rarely been used, and the subsection of the Act under which Mr Elsey is charged, has not been used since the turn of the century.

It was confirmed in the court in Edinburgh yesterday, that before the 21-week civil service strike began, senior Inland Revenue management sent a note to local officials advising them that the Act could be used if necessary during the forthcoming dispute.

Speakers stressed the political implications of the action, which, they said, were part of the Government's legislative attack on the rights of trade unions.

The Department of Health and Social Services said last night that industrial action in sympathy with Mr Elsey had taken place at seven Scottish DHSS offices.

Workers in Edinburgh North, East Kilbride and Dundee West stopped work for the day and half day stoppages were reported at offices in Glasgow, Coatbridge and Stirling.

The Inland Revenue also reported sympathy action last night with about 75 per cent of staff at Welsh collection offices obeying the strike call. In Scotland, about 1,500 Revenue workers stopped work in the afternoon, but support in England was said to be "patchy."

Rolls-Royce workers' pay reduced by £12 a week

FINANCIAL TIMES REPORTER

ROLLS-ROYCE has cut an average of £12 a week from pay-packets of 1,300 manual workers at its Leavesden, near Watford, aero-engine factory, in a dispute over how a shorter working week should be introduced.

The company yesterday halted a 10 per cent productivity bonus after shop-floor employees imposed an overtime ban earlier this week.

The move is the latest in a long wrangle over how Rolls-Royce and the unions can agree on the introduction of a 39-hour week, which has been agreed nationally in the engineering industry.

The company had already cut the pay of its Leavesden employees, when they began to leave one hour earlier on Friday afternoons to support their demand for the reduced working-week.

The management says it wants the one hour to be spread through the week but unions demand it be taken off on Friday afternoons.

Union officials say the second pay-cut means workers will lose on average of about £12 a week. The company says the overtime ban is virtually a withdrawal of co-operation by the unions and it has decided to halt bonus payments.

Workers at other Rolls-Royce factories have been taking action to support their demand for a 39-hour week. The company said Leavesden is the only site where productivity bonus has been cut.

Southampton docks talks fail to end cargo dispute

FINANCIAL TIMES REPORTER

NEGOTIATIONS yesterday over the three month cargo checkers' dispute at Southampton Docks produced no apparent progress.

After two hours of talks between national and local union and management officials —the first all party discussions to be held for weeks — a mass meeting of the 150 checkers unanimously rejected the dock board's proposals on four issues.

It is not thought a new peace formula was put to the workers, who are facing mounting pressure for a settlement from inside and outside their union.

The checkers have already accepted in principle the board's main proposal involving the introduction of three-shift working at container berths.

They are objecting to manning cuts, the implementation date of any deal and the notice period for the suspension or termination of agreements.

The dispute is being watched closely by Trio Lines shipping consortium, Southampton's biggest customer whose 10-year contract with the board expires on January 18.

Trio is unlikely to sign a new long-term contract while the dispute continues.

Warsaw clampdown deplored

By Our Labour Staff

THE Electrical and Plumbing Trades Union yesterday called on the TUC to break off immediately all contact with official trade union bodies in Eastern Europe to protest at the military clampdown on the Polish free trade union Solidarity.

It is calling on its members to join a march from Hyde Park to the Polish Embassy in London on Sunday.

A statement from the union, which was one of the first publicly to champion Solidarity, said: "The EPTU deplores the military takeover in Poland and the suppression of trade union and individual rights and calls for the immediate release of all imprisoned Solidarity members."

European trade union leaders yesterday added their voices to the mounting protests over the military intervention in Poland.

After a meeting in Amsterdam, the EEC co-ordinating committee of chemical and general worker's unions released called on the Polish Government to immediate release all detained trade unionists and to allow Solidarity to resume its activities.

The committee also pledged all "practicable" support to the union.

Farmworkers' pay

TOTAL EARNINGS of farmworkers averaged £88.83 a week during the year ending March 31, the Ministry of Agriculture said yesterday. Earnings ranged from £79.87 for horticultural workers to £106.78 for dairy cowmen.

FINANCIAL TIMES SURVEY
Friday December 18 1981

MEXICO BANKING, FINANCE AND INVESTMENT

Suddenly, Mexico, which had been the darling of the international banking community, took on the image of the free-spending football pools winner who wakes up one morning to find all his winnings gone. The country is now dealing with the resultant cash flow problems.

Testing time for two years

By Peter Montagnon

NEXT YEAR promises to be a very difficult one for Mexico.

It has to cope with a slowdown in economic growth, continuing high inflation, a seriously overvalued currency, a current account balance of payments deficit of at least $10bn and a gross public sector foreign borrowing requirement of about $20bn.

All these problems have come to a head in the run-up to the 1982 general and presidential elections, a time when government in Mexico is traditionally weakened by the change in administration.

In one respect Mexico is different from other democratic countries — the result of the election is a foregone conclusion. The winner must be Sr Miguel de la Madrid, the 47-year-old former budget and planing minister, who has already been declared the official candidate of the ruling Institutional Revolutionary Party (PRI).

The uncertainty which surrounds the elections stems not so much from doubts over the likely winner but more from the break in continuity between the outgoing administration and the new Government as senior civil servants concentrate on jockeying for new and better jobs instead of getting to grips with the country's fundamental economic problems.

This is hardly the climate for making difficult policy decisions, and yet there is a fairly widespread view among the Mexican and foreign banking community which holds that everything started to go wrong last June when the then head of the state oil concern Pemex, Sr Jorge Diaz Serrano, tried to cut the price of Mexican oil by $4 a barrel.

The attempt caused a political storm in Mexico and cost Sr Serrano his job. Subsequently Mexico tried in vain to restore the old $36 a barrel price and in the attempt oil exports plummeted. Suddenly the Government was stuck with the realisation that the glut in the world oil market was going to reduce its expected oil and petrochemical exports by as much as $7bn.

Coupled with the $3bn in unbudgeted interest payments on foreign debt which resulted from the surge in U.S. interest rates, Mexico was suddenly confronted with a cash shortfall of some $10bn.

Government spending was pruned by nearly 10 per cent on an annual basis and emergency short-term borrowing was arranged with international banks. But it was already plain that the current account balance of payments deficit, which last year was $6.6bn, was going to rise to well over $10bn in 1981.

Suddenly Mexico, which had been the darling of the international banking community, *took on the image of the free-spending football pools winner who wakes up one morning to find all his winnings gone.*

Social dangers

There was a cash flow problem of massive dimensions from which Mexico has still not yet recovered. Theoretically the solution would have been to slam on the brakes, devalue the peso and induce a recession on Mexico's booming economy.

But for social and political reasons such a solution was hardly feasible. Those who maintain that the social dangers of recession are too great to bear seemed to have their case borne out in August when an attempt to raise bus fares was met with stoning and burning of buses in Mexico City's largest slum district of Nezahualcoyotl.

Instead, the Government has adopted a gradual approach to economic adjustment. Peso interest rates have been raised and money taken out of the economy through the compulsory purchase by banks of a total 15bn pesos in Cetes or treasury bills.

Car production, which uses a large amount of foreign components, is to be held next year at this year's level of 350,000 units.

The import licensing system has been extended to cover 85 per cent of all imported goods, and from January domestic petrol prices are expected to be increased by some 70 per cent to P5 per litre.

Next year's budget will show no real increase in public spending, although there will still be a public sector deficit of pesos 657bn (or 8 per cent of GDP) compared with one of 562bn pesos or 10 per cent of GDP now expected for 1981.

Next year the crawling depreciation of the peso against the U.S. dollar is to be stepped up to a rate of between 17 and 18 per cent from around 12 per *cent over 1981 as a whole.*

The Government hopes that measures such as these will be enough to maintain the confidence of the domestic and foreign community while the adjustment takes its course.

"It will take two years altogether to put things right," said one senior official. "We'll do half the work and Sr de la Madrid will do the rest."

For the time being the major problem is to keep confidence strong enough to ward off speculation against the peso and encourage foreign bankers and investors to provide enough cash to cover the $20bn public sector foreign financing requirement.

Mexican officials believe they stil have two trump cards in this respect. First they point to Mexico's officially proven oil and gas reserves of 72bn barrels, a figure which is expected soon to be raised to about 100bn barrels making the country the third largest oil power in the world.

Second, they are pinning a *lot of faith on Sr de la Madrid.* He comes to office with the reputation of a conservative technocrat who is well liked by international businessmen and bankers.

At the moment there is a precarious confidence. Speculation against the peso — which was very strong in the summer when around $4bn is thought to have left the country — has abated.

And as for meeting the foreign borrowing requirement, "It is do-able but difficult," said one senior U.S. banker last week.

Vulnerable

Everyone agrees, however, that Mexico has become extremely vulnerable to any upturn in U.S. interest rates. Quite apart from anything else this would have the immediate effect of pushing up the cost of servicing Mexico's foreign debt —public sector debt at the end of this year is estimated to have reached about $48.7bn.

About three-quarters of the total is at floating rates so that each 1 per cent increase in world interest rates would cost Mexico more than $350m in annual interest charges.

A more serious consequence of higher U.S. interest rates, would be to encourage speculation against the peso. At the moment peso interest rates are being held at a level some 20 percentage points higher than U.S. rates.

This is intended to compensate for the difference in inflation between Mexico and the U.S., its major trading partner, and to give the leeway needed to continue with the crawling depreciation of the Mexican peso.

But peso rates are generally considered to be just about as high as the economy can bear. Top industrial borrowers must pay an effective rate of some 42 to 43 per cent for credit from commercial banks, a level which is about 15 percentage points higher than inflation.

Government officials admit it would be hard to raise these rates further. Yet if they failed to do so in response to any surge in U.S. rates investors would become reluctant to hold pesos, currency outflows would increase and a large scale devaluation could become inevitable.

This would cause untold economic confusion because of the cash flow problem for industry which is heavily borrowed in dollars. It would also have to be followed up by a *much more restrictive economic* policy instead of what one banker described as the "band-aid approach" now being applied.

The result would be a serious deterioration of economic growth with potentially serious social consequences as the economy would no longer be creating enough jobs to satisfy Mexico's growing labour force.

At the moment everyone is keeping their fingers crossed that such an outcome will not be necessary. Moreover most Mexican officials are quick to point out that even the serious economic problems of today are not nearly as bad as those of 1976 when the peso was abruptly devalued by 45 per cent.

Nor has their confidence in the country's longer term outlook been shaken. "In 20 years time we shall still have emerged as a major world power," was the happy prediction of one leading commercial banker.

KEY ECONOMIC STATISTICS

	1978	1979	1980	1981†	1982†
Real economic growth (%)	8.1	9.2	8.3	8.0	6.5-7.0
Current account balance of payments deficit ($bn)	2.7	4.9	6.6	10.8	10.0+
Rise in consumer prices	16.2	20.0	29.8	28.0	n.a.
Budget deficit (pesos bn)	119	179	258	562	657
Oil and gas exports ($bn)	1.8	3.8	9.9	14.0-15.0	n.a.
Year end external debt ($bn) of public sector	26.2	29.8	33.8	48.7	59.7

† Estimated.

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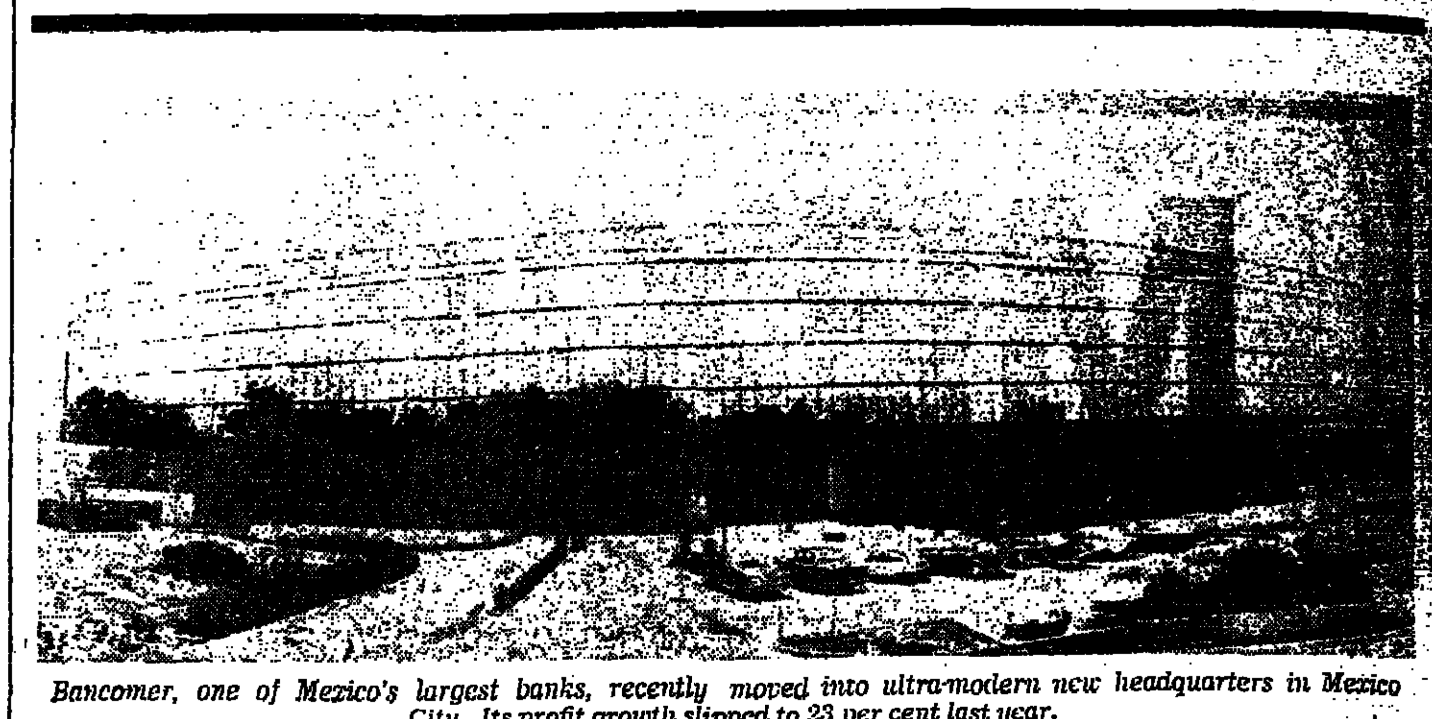
MEXICO BANKING II



Bancomer, one of Mexico's largest banks, recently moved into ultra-modern new headquarters in Mexico City. Its profit growth slipped to 23 per cent last year.

Concern grows over high interest rates

"OUR BEST customers are effectively paying between 42 and 43 per cent a year for their money. You may well ask if that's expensive, but all I can say is they're willing to pay."

With these words a senior Mexican banker dismisses questions about the lending side of his business. Demand for peso credit is so ferocious that banks do not have to waste much time and energy seeking out new customers.

Most of their efforts are reserved for the much harder job of attracting deposits. So great is the shortage of pesos and competition for deposits in the local banking system that many banks stay open right through the weekend.

It is for this reason that Mexican bankers will point with some pride to official figures showing that deposits in the Mexican banking system are growing at record levels this year.

For the year as a whole the increase is likely to be well over 40 per cent on last year's 989bn, itself a 38.5 per cent gain on 1979.

But this expansion has been won only at enormous cost. For the first time in many years peso interest rates became positive in real terms last year, but despite this, dollar deposits in local banks have been growing much faster than peso deposits.

In the first eight months of the year foreign exchange deposits in private and semi-privately owned banks grew by 53.2 per cent. Peso deposits grew by only 23.9 per cent.

Worse still, checking and savings accounts, which represent cheap money to the banks, grew by a mere 3.1 and 7.7 per cent respectively, according to figures from the Mexican Banking Commission.

As in other countries, depositors have switched to high yielding term deposits which grew by 48.5 per cent, pushing up sharply banks' cost of funds.

But where Mexico differs from other countries is that banks have been able to maintain their interest margins. Private sector borrowers will take peso credit at almost any price given the nation's booming economy and fears of a devaluation which could make dollar borrowing turn out even more expensive.

The average cost of borrowed funds in Mexican banks now stands at about 31 per cent, whereas a year ago it was only 22 per cent. But with effective lending rates starting in the low 40s banks are still left with a margin that would make their counterparts abroad green with envy.

Assets

Even so, profits across the banking system as a whole do not seem to be growing as fast as total assets. Moreover, growth has slipped from the heady days of 1979 when the two largest banks, Bancomer and Banco Nacional de Mexico (Banamex) reported profit increases of 65 per cent and 72 per cent respectively.

Last year Bancomer's profits grew by only 23 per cent to 3.04bn pesos, while Banamex reported a 35 per cent increase to 3.01bn pesos. This year both banks are expecting to report net profits of around 4bn pesos.

One reason advanced by commercial bankers for this rather slower growth in earnings over the past two years is Mexico's complicated legal reserves system, whereby banks have to pass 41 per cent of peso deposits and about 75 per cent of dollar deposits on to the Bank of Mexico in the form of minimum reserve requirements.

This money is used by the Government to cover its spending needs and to direct subsidised credit towards priority public sector projects. Banks do receive some interest remuneration on their legal reserves, but not at market rates. This is the reason why they need to maintain such a high margin on their private sector business and why the overall return on assets can be eroded at time of high interest rates.

Looking ahead, there is some concern about how long business will continue to bear such high rates of interest. Forecasts of slower growth in the economy next year and the recent well-publicised rescue operation for Alfa, Mexico's leading industrial group, have been greeted with a certain degree of foreboding.

"We will eventually suffer a profits squeeze," said one banker, who thought the squeeze would be much more painful and immediate if speculation against the peso reached such a pitch that the Government was forced to devalue the currency against the U.S. dollar next year.

Then companies which have borrowed a lot of dollars would face serious losses, demand for peso credit would slip and the banks could be left high and dry with the possibility of having to make large write-offs, slack demand for credit and a continuing high cost of funds.

Most bankers expect a devaluation can be avoided next year and the erosion of profitability is thus anticipated as more gradual.

But it has already become apparent at one of Mexico's large banks, Comermex, whose profits last year grew only 7 per cent to 539m pesos. Comermex is no longer aggressively seeking market share, preferring instead to go for quality rather than growth and concentrate on cutting its costs.

"In two or three years time other banks will be doing the same," said one executive there, "and we will have a head start because we will already have improved our efficiency."

This could lead to a greater number of banking mergers, a process which would be generally welcomed in Mexico where there are too many small banks who are unable to stand up to the giants Bancomer and Banamex which between them control about half the market.

It is clear that Mexico's commercial banks, which fear increased competition from the state banking sector, will be spared the effect of competition from foreign banks. With the exception of Citibank, foreign banks are not allowed to open full branches in Mexico; they are only allowed to maintain representative offices and may not compete for peso deposits or engage in peso lending.

Peter Montagnon

TOP EIGHT PRIVATE SECTOR AND MIXED CAPITAL BANKS
(Total assets—Pesos bn—August 31 1981)

Bancomer	[illegible]
Banamex	382.9
Serfin	168.4
Somex†	140.2
Comermex	132.8
Banco Internacional†	78.9
Banco del Atlantico	41.1
Banpais	34.8

† Denotes majority government owned.

Source: National Banking and Insurance Commission.

Outlook is uncertain for margins on borrowing

LAST MONTH'S budget speech by Sr David Ibarra, Mexico's Finance Minister, contained a shock for the country's foreign bankers.

The official estimate of total public sector foreign indebtedness was suddenly raised from \$40bn to \$48.7bn. In 1981 alone the increase in total debt has been \$14.9bn, pushing Mexico's debt numbers well up into the Brazilian league.

If private sector foreign debt is added to the total, Mexico's overall foreign debt at the end of this year is expected to reach nearly \$64bn.

Gross borrowing by the public sector this year has been a record \$22bn, according to Sr Angel Gurria, the Finance Ministry official in charge of co-ordinating foreign borrowing.

The total includes some \$8bn in short term borrowing, he said, but this covers some loans that were already rolled-over during the year so it tends to slightly overstate the true level of activity.

Sr David Ibarra, Mexico's Finance Minister: his Budget speech contained a shock for foreign bankers

Proportion

Next year gross borrowing by the public sector is expected to be around \$20bn, while net indebtedness increases by some \$11bn.

In real terms there is nothing too alarming about these figures. Mexico's public sector foreign debt next year will be held to some 20 per cent of GDP, a lower proportion than the 25 per cent recorded in 1979.

But in absolute terms the numbers are enormous. The prospect of having to keep foreign funds flowing in at an average rate of more than \$1.5bn a month is enough to make even the most hardened borrower blanch.

The increase in overall needs this year has already been enough to turn Mexico into a lender's rather than a borrower's market. At the start of the year Mexican borrowers were still displaying an extraordinary aggressiveness in their efforts to keep margins down.

In January, Mexico's state development bank Nafinsa actually tried to raise a \$300m medium-term credit with an element of only $\frac{1}{8}$ over U.S. prime rate in its margins. This microscopic margin was considered too low at the time, and the project was eventually shelved, but it is a measure of the change in climate that Nafinsa considers itself lucky to be able to borrow at a margin as high as $\frac{3}{4}$ per cent over London Eurodollar rates.

Most foreign bankers reckon that margins on Mexican medium-term borrowings are likely to rise even further in the months ahead, probably exceeding 1 per cent next year.

This, they say, will be the price Mexico has to pay for its very large borrowing requirement. But for his part Sr Gurria is far from ready to concede defeat.

Contrary to widespread negative market reports, the Nafinsa credit with its margin of $\frac{3}{4}$ per cent actually performed quite well in syndication, he argued. Original lead managers were able to reduce their underwriting commitment from \$50m apiece to \$32m even before open syndication began — and this would not have been possible if the margin had been way out of line.

But he did acknowledge that Mexico will have to watch the market very closely to make sure its loans do receive a positive reception.

It will also continue with its efforts to diversify its sources of borrowing, he said. This year only \$6bn has been raised through syndicated credits by the public sector and a number of new fund-raising techniques, such as the issue of sterling bankers acceptances, have been tried.

A further \$4.5bn was raised by the public sector in the U.S. bankers acceptance market. This includes the \$4bn facility arranged for the state oil concern Pemex by Bank of America in the summer.

The implication of his remarks was that Mexico will try hard not to force the syndicated credit market which has been the main source of its funds in the past. In this way any increase in margins, which provides the most public evidence of "slippage" in any country's credit rating, should be restrained.

Objective

Few foreign bankers, however, accord Mexico more than a modest chance of success in this objective. The pricing of Mexican syndicated credits has become so problematic, they argue, that the country is likely to continue for some time with large scale short-term borrowing.

Many bankers report being deluged with calls from public sector agencies prepared to pay very generous terms for short-term credits.

Short term borrowing now takes a 13 to 14 per cent share in Mexico's total outstanding public sector debt, while at the start of this year it was only 4 per cent. The proportion may have been relatively low before, but its present level serves simply to push up gross borrowing needs all the time. Some bankers are worried that short term borrowing is much harder for the finance ministry to control than longer term borrowing.

Yet there is an element of Schadenfreude in all their comments. Many bankers are inclined to play up the problems of Mexico's economy simply to talk margins higher. Even those who take the most pessimistic view on the economy still generally believe Mexico will be able to meet its borrowing needs.

Quite how this will be done remains unclear. Mexico's net requirement is \$11bn next year—assuming dollar interest rates average 14 or 15 per cent over the year as a whole. The big, and as yet unanswered question, is which banks or investors will be willing to increase their exposure to Mexico by such an amount and at what price.

Peter Montagnon

The stock market rallied briefly in September when Sr Miguel de la Madrid (above) was named presidential candidate for the ruling PRI

Bear market finally touches bottom

STOCK EXCHANGES around the world have reeled this year under the impact of high international interest rates, but the Mexican market suffered more than most, despite the country's booming economy and high corporate profits.

The 42 stock price index has plummeted 1,000 points since it peaked at 1,798.5 on May 9 1979. However, the bear market appears to have finally touched bottom. The index was 785.2 on November 17 and at the end of the first week in December it climbed to 956.56.

Stocks are currently selling at an average four times the last 12 months of reported earnings, compared with 16 at the peak of the 1979 boom. Some like Bancomer, the largest private bank in Mexico which reported a 45.5 per cent increase in net profits in the first nine months of the year, Telmex, the state telephone company, and Grupo Visa, the second largest industrial-banking group, are selling at less than three times earnings.

As a result of the bear market, there has been only one new underwriting 1980 and 33 in 1979. Companies, this year compared to seven in which turned in unprecedented numbers (for Mexico) to the Exchange to raise new capital now have no alternative but to borrow pesos at very high interest rates. Even companies with triple A rating have to pay an effective cost of about 45 per cent for pesos, assuming that they can get them since peso credit is extremely tight.

These conditions have created an unregulated money market in Mexico where companies are paying substantial premiums to obtain peso financing.

High inflation in Mexico and the high international interest rates have forced the central bank to offer positive interest rates in real terms on peso *deposits to minimise the outflow into dollars.* The peso is freely convertible.

Treasury bills, known as Cetes, which take up 87 per cent of the Stock Market's operations compared to 41 per cent in 1978, when they were first introduced, yield 34 per cent. This is stiff competition for the equity market and no risk is involved.

The amount of Cetes sold by the Government, which uses the instrument to finance its huge budget deficit, shot from P86.2bn in 1978 to P363bn in the first nine months of 1981.

Mexicans prefer cash in hand to a share even if corporate profits are high. Many people burned their fingers in 1979 when they played the fledgling market as if it was the national lottery, and they have been scared away.

The country has an estimated 35,000 individual investors, less than 0.1 per cent of the 70m population, compared to some 27m in the U.S. or about 10 per cent of the population.

Of the 500 quoted shares, only 100 are regularly traded.

With few sellers at today's depressed prices and even fewer buyers, the market reacts quickly to the slightest selling pressure. For example, on November 3, the prices of the chain, fell 10 per cent on only 500 shares of trading.

Not until interest rates come down significantly will the Mexican market pick up, and this is not in sight, analysts say.

The market staged a dramatic rally on September 26 when Sr Miguel de la Madrid was named the Presidential candidate for the ruling Institutional Revolutionary Party and rose 40 points. But it then continued to tumble. Sr de la Madrid, who is in effect Mexico's next president, is widely liked by the private sector.

Greater tax relief for private investors and the lack of capital gains on equity investment have done nothing to attract greater enthusiasm.

Meanwhile the Government, which realises the importance of promoting a strong capital market, has chanelled commercial paper through the exchange as well as petro-bonds. They are a unique commodity bond whose redemption price is linked to the export price of Mexican oil. In September the exchange started to trade gold Centenario coins and the silver troy ounce coin.

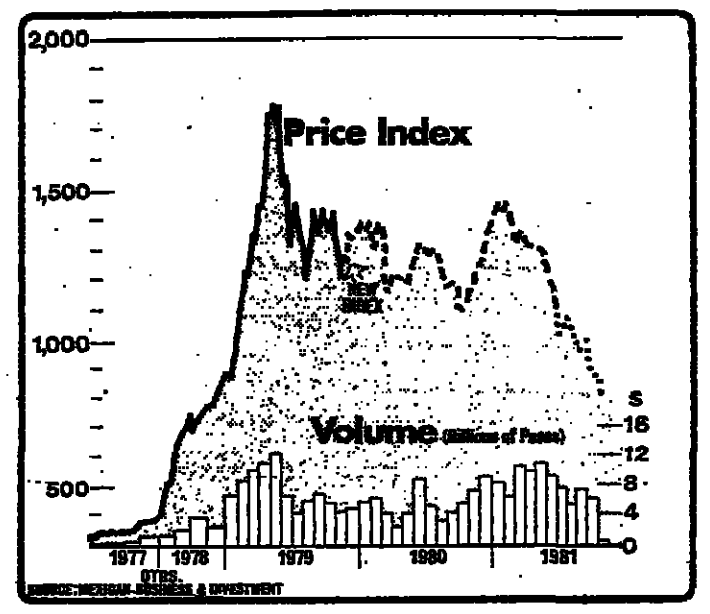
The Goverment limits each company to commercial paper sales of P500m and the company must be at least 51 per cent Mexican owned and its stock actively traded.

Only 35 companies have been able to issue commercial paper, although 110 have applied. Mexico's powerful banks, which do not have a role in commercial paper lending, feel threatened by the new instrument and have managed to get the Government to restrict its growth.

The top four Mexican banks control a large share of the market turnover directly or indirectly through their brokerage houses.

The banks' conflict of interest in the market is an issue which the Government will eventually have to tackle.

William Chislett



Tax evasion widening incomes gap

THE GOVERNMENT'S long-overdue tax reforms are beginning to hit one of the favourite pastimes of rich Mexicans—tax evasion. Tax returns, nevertheless, are still woefully inadequate to meet the country's revenue demands.

Tax evasion is an important factor behind Mexico's highly uneven income distribution. According to the 1981 World Bank development report, the richest 10 per cent of Mexico's population earned 40.6 per cent of household income and the poorest 20 per cent only 2.9 per cent.

These figures are based on 1977 statistics and the gap between rich and poor has reportedly widened since then, despite the extraordinary oil bonanza and the large number of jobs created.

It is more difficult, however, to gauge the scale of tax evasion. Mexican officials hotly dispute the World Bank's estimate in its 1979 report on Mexico that the Treasury collects less than half the revenue due to it. "We don't know the true dimension of the problem, except that it is enormous," said a senior tax official.

Mexico's tax ratio was 16.9 per cent of Gross Domestic Product in 1979, according to the Paris-based Organisation of Economic Co-operation. In Europe that of the UK in the same year was 27.75 per cent.

Despite this modest ratio, the effective tax rates falling on some sectors of the economy and sources of income are higher than counterpart rates in some developed countries. For example, companies in Mexico pay a maximum 42 per cent tax on profits over 1.5m pesos ($60,000) and also a mandatory 8 per cent profits sharing makes an effective rate of 50 per cent.

In the U.S., the comparable rate is 46 per cent on profits over $100,000. Personal income tax rates in Mexico are also fairly high.

Nevertheless Mexico's tax yields are low. This is because the base on which rates are levied is narrow, anachronistic tax preferences are given to the construction, transport and agriculture sectors, key areas of the economy, and evasion is high.

The tax base itself is also low since 40 per cent of the labour force does not have a full time job. This factor, coupled with the large number earning the minimum wage, which is not taxed, produces a small tax base for such a large population of 70m.

Demands

The Government's lack of domestic revenue can be judged from the continued high level of costly foreign borrowing which is needed every year to finance the huge public sector deficit.

Mexico's external public sector debt will rise by a massive $14.9bn this year to reach a total of $48.7bn this is needed to meet the demands of the growing economy and make up the shortfall in oil revenue. The 1981 public sector deficit will be nearer $23bn than the targeted $13bn.

The deficit has now become so large that taxes will never be able to finance a very high proportion of the revenue needed. Were it not for Mexico's oil riches, the tax situation would be dire. The revenue from Pemex, the state oil monopoly, provides the great bulk of taxes. Oil exports are taxed at 58 per cent and domestic sales of petrol at 27 per cent.

Nevertheless some progress is being made. Tax reforms cover higher income tax rates, the substitution of the 4 per cent mercantile sales tax with 10 per cent VAT and a streamlining of the multitude of special taxes.

VAT, however, has not been a great success. The Government has been forced into exempting an increasing number of articles from the tax. VAT is now no longer payable on basic foodstuffs.

But the introduction of VAT in 1980 has enabled the Finance Ministry to exercise a greater control over companies, since VAT makes it more difficult to evade sales tax.

The great bulk of tax evaders are self-employed people and companies, since full time employees of a firm are "captive" taxpayers.

Most of the tax evasion, says the Finance Ministry, goes on in the "special tax regimes" for agriculture, transport and construction. These sectors are taxed at much lower rates than companies in the regular category. As a result, many companies claim inflated construction and transport expenses. When they have to work with these sectors, they often set up companies in the sectors in order to pay less taxes.

The traffic in falsified receipts is enormous, according to one senior Finance Ministry official. "You imagine how many companies require transport and construction services and it will give you an idea of the scale of tax evasion."

The Government intends to move against the transport and construction sectors next year and bring them more into the regular corporate income tax system.

Both sectors are powerful interest groups, however, and so far the Government has bowed to pressure to maintain their privileged position. "It is a tremendous political problem," Finance Ministery officials admit.

But while greater efforts are being made to crack down on tax dodgers, the Government has yet to tackle the much larger and more politically sensitive issue of reducing subsidies.

By not cutting down on subsidies, which has meant keeping the prices of petrol and electricity, in particular, stable for several years despite rising costs, the state's coffers have been deprived of extra revenue.

The subsidies on domestic oil and natural gas alone are some 400bn pesos ($15.3bn) this year, according to the Finance Ministry—almost equivalent to the 1981 oil and natural gas exports.

The calculation is based on the difference between Mexico's domestic price and U.S. prices.

However, the government has moved a little to try to tax the income from graft by broadening the definition of income. Income tax now includes not only that earned by labour and capital, but also gifts and other forms of non-earned income.

The Government has still not ended the widespread practice whereby politicians and civil servants are able to mask their participation in companies through bearer shares, which are anonymous. This makes it impossible to tax capital gains and prevents the imposition of a truly global income tax.

William Chislett

Foreign investment pouring in at unprecedented rate

FOREIGN investment is pouring into Mexico at an unprecedented rate, despite the Government's fairly restrictive policies which limit foreign participation in a joint venture to a maximum of 49 per cent.

New foreign investment inflows increased by 40.3 per cent in the first half of 1981 to $496.4m, according to the central bank. The Industry Ministry will approve projects with foreign investment worth $3bn this year, almost double the 1980 amount.

However, foreign investment still only represents about 3 per cent of total investment in Mexico. Outside involvement in the economy remains a sensitive issue, because of Mexico's long and bitter history of domination by foreign powers.

Total accumulated foreign investment at the end of 1980 was $8.46bn, according to the Industry Ministry, with almost 70 per cent from the U.S. Just over 2 per cent of total U.S. investment around the world is in Mexico.

Thanks to its oil riches, the Mexican market is one of the most dynamic in the world and one which needs foreign technology to fulfil industrial goals. Companies in the recession-hit industrialised world, looking for outlets are becoming increasingly interested in Mexico. New foreign investment totalled $1bn in 1980, $781m in 1979 and $385m in 1978.

The average net profit rise for 96 major publicly quoted Mexican companies in the first half of 1981 was 38.1 per cent, a 10 per cent real increase taking into account inflation.

Cementos Tolteca, Blue Circle's Mexican joint venture and the UK's largest investment in Mexico, saw profits leap by a spectacular 279.5 per cent to $72.1m.

Repatriated profits in the first half increased by 29 per cent to $281.8m.

One of the great attractions of Mexico for foreign investors is its lack of restrictions on remittance of profits, repatriation of capital and convertibility of exchange.

Stability

Other factors are relatively cheap labour and the country's legendary political stability. Mexico is a young nation with 60 per cent of its 70m population under the age of 21, and 40 out of every 100 Mexicans in the education system.

But establishing a joint venture can be a frustrating business, particularly dealing with bottlenecks in the bureaucracy.

The rules of foreign investment are no more complicated than in many other countries. Foreign investors are barred from direct involvement in the oil sector (but not from the supply or services side), basic petrochemicals, electricity generation, telecommunications, railways, radioactive minerals, banks, bonding and investment companies, television and radio station, and freight transport.

This leaves manufacturing, commerce and services. In mining, foreign investment is limited to 34 per cent.

The only legal way in which foreign companies can have majority ownership — up to 100 per cent — is through the establishment of in-bond companies — assembly plants that export their total output.

Majority ownership, however, can be achieved through "pyramiding." This is a practice which is not explicitly forbidden in Mexico, but one which is frowned upon by the Government.

Under "pyramiding," foreigners own 49 per cent of a Mexican company, often a holding company, and also 49 per cent of a second company, the rest of whose equity is owned by the first company. The 49 per cent interest in the holding company and the 49 per cent stake in the subsidiary indirectly gives foreign capital more than a 51 per cent equity in the subsidiary and sometimes voting control.

The Government is inflexible about allowing majority foreign ownership except over in-bond plants and also allowing companies, which set up before the 1973 foreign investment law, to expand without necessarily having to "Mexicanise."

Before 1973 companies could be 100 per cent foreign owned in some sectors. The Mexican subsidiaries of several of the world's major car producers, like Chrysler and Volkswagen, which set up before 1973, are still 100 per cent owned by the parent company.

The greatest problem for foreign companies is to find a suitable Mexican partner. "It is a problem of supply and demand," said one lawyer, "and the supply of good partners is running out."

Lawyers and bankers working in the field of joint ventures have the impression that quite a large number of businessmen come to Mexico with the intention of setting up a joint venture, but give up in despair because they cannot find a suitable partner.

Co-investment funds have been set up between Nacional Financiera (Nafinsa), the state development bank, and France, Spain, Switzerland, Italy, Japan and the UK to try to alleviate the partner problem.

The trust funds are designed to get joint ventures, particularly by small and medium sized companies off the ground in circumstances where they may be hindered by a lack of equity. The fund can take up to a 33 per cent stake in a joint venture and that proportion is financed 60 per cent by Nacional Financiera and 40 per cent by the foreign side. The British fund, known as Brinmex, has the merchant bank Grindlay Brandts as the minority UK partner.

But the funds are greatly underused. Nacional Financiera is very particular about the kind of joint ventures which are formed and foreign companies are not keen on having a member of the Government on the Board. The main obstacle, say bankers, is difficulty in dealing with Nacional Financiera's political infighting between the various government agencies.

Industrial Bank of Japan, which is part of the Japanese fund, has presented numerous joint venture ideas to Nacional Financiera, but all of them have been turned down. Nafinsa is mainly interested in capital goods and heavy industry, and rarely authorises joint ventures out of this area. Even if Nafinsa agrees to come in on a joint venture, the foreign investment committee at the industry ministry can still deny authorisation.

The investment committee prefers individual Mexicans in joint ventures to a government body.

The partner problem has fuelled speculation that the Government might soften its foreign investment laws in order not to miss out on projects beneficial to the economy. But the chances of this happening are slim.

Daimler Benz was reportedly approached by the Mexican Government to assemble passenger buses in Mexico, using the required percentage of local inputs. But the company greeted the idea coolly, since it wanted to use entirely German made components.

William Chislett

Profile: Miguel de la Madrid

Very close to power

UNTIL THREE months ago Sr Miguel de la Madrid, the presidential candidate of the long-ruling Institutional Revolutionary Party (PRI) and in effect Mexico's next President, was better known to the international financial community than to his fellow-countrymen. As the former Planning Minister responsible for the first blueprint for the country's oil-rich future and before that deputy Finance Minister and director general of public sector credit, Sr de la Madrid earned a reputation in business circles for being a conservative technocrat with a modern outlook.

But this all changed as soon as he was named the PRI's candidate for the 1982 July elections. Sr de la Madrid, aged 47, has been catapulted into the public eye. His name and face are plastered across walls and posters the length and breadth of Mexico. The media reports daily on the activities of his gruelling 10-month campaign regardless of what he says or does.

His victory is a foregone conclusion — although the PRI does face competition from both Left and Right. Yet Sr de la Madrid still campaigns furiously with the state apparatus at his beck and call.

He will become an extraordinary symbol for millions of poor Mexicans hoping for a better deal.

But trying to get an idea of what his policies will be remains difficult, despite publication by the PRI of five volumes of Sr de la Madrid's political thoughts covering just the first three months of the campaign.

Immense power will be concentrated in Sr de la Madrid's hands once he becomes president. The highly centralised presidential system gives him effective control over the legislature, the judiciary and the bureaucracy: he is also head of the armed forces. But he will remain something of an enigma until he takes office.

It is revealing, however, that President Jose Lopez Portillo—who under the Mexican constitution can serve a single term only—chose a planner and not a politician to succeed him.

The Mexican economy has now become very complex and the next six years will be critical. By choosing the chief architect of the overall plan, a strong degree of continuity appears to be guaranteed at a time when long-range planning is needed if the oil wealth is not to be squandered.

That is not to say that Sr de la Madrid is not a politician, that he will not veer from current policies. Anybody who survives a long time in the hothouse Mexican bureaucracy, as Sr de la Madrid has done, has to be a politician. Nevertheless he remains essentially a technocrat who by the time he is elected will have a much greater mastery of the political system.

One significant pointer is that Sr de la Madrid's lieutenants have asked foreign journalists to omit the fact that he studied public administration at Harvard. The PRI's official biography merely says that Sr de la Madrid "studied abroad."

The PRI is keenly cultivating a much more populist and nationalistic image for Sr de la Madrid. The Party wants to play down his connections with the U.S. and his conservative image. Organised labour, the most powerful sector of the PRI, was not entirely happy with his selection since he is perceived to be identified with the Right.

Sr de la Madrid in fact studied at Harvard in 1964 on a scholarship granted by the central bank. His elder cousin, Sr Ernesto Fernandez Hurtado, a brilliant economist, was central bank governor in the last administration. Before his Harvard spell, Sr de la Madrid, whose father died when he was two, studied law at the National Autonomous University, where Sr Lopez Portillo gave him a course in political science.

Sr de la Madrid is seen as an orthodox economist in the Mexican context and also something of a moralist with an unblemished past.

His promise to fight corruption, which is endemic in Mexican public life, is a central part of his campaign. Many people believe that he is more serious than his predecessors and that he will quietly take on the old-style political class and its entrenched interests.

Sr de la Madrid is also known to be in favour of reducing the very large volume of subsidies and in 1980 was one of a minority of Ministers in favour of Mexico joining GATT. Mexico rejected membership.

The assumption is that Sr de la Madrid will rein in the dangerously overheated economy much harder in 1983. The present Government has already started to do this. But as a senior Mexican banker put it: "Will the de la Madrid we knew before he became the official candidate be the same de la Madrid when he takes office?" Nobody knows.

W.D.C.

Incentives help to lower the house-purchase hurdle

By Michael Cassell

WITH WINTER taking a firm grip on development sites throughout the country, Britain's private housebuilders cannot expect their problems to melt away with the arrival of spring.

For it is going to take a great deal more than a few days of sunshine to put an end to a recession which has forced down the annual rate of private housing output to barely half the levels regularly achieved at the start of the 1970s.

Escalating mortgage rates and uncertainty about job and income prospects have combined to create a lack of confidence among would-be purchasers which has been dramatically reflected in the level of housebuilding activity.

From free Fiestas to kitchen towels and mortgage subsidies

Last year, private housing starts plunged to 98,000, one of the lowest levels since the last war and only a marginal improvement has been registered in 1981. Even the optimists in the housing industry do not expect next year to show any significant further upturn.

That there has been any increase in the number of private homes started during 1981 is something of an achievement for the industry given the deteriorating economic background which has kept large numbers of potential home buyers out of the market.

The final outcome of this year's private housing performance is still a matter for debate (estimates range from 110,000 to 120,000) but there is little doubt that the improvement over 1980 can be directly attributed to the housebuilding industry's efforts to make the very best of a bad job.

While the political row on the deteriorating state of Britain's housing steps up, the housebuilders have adopted the type of aggressive marketing approach which, critics claim, the construction industry as a whole should have adopted a long time ago.

As sales prospects have declined, so the builders have forcefully promoted a package of incentives which underlines the difficulties they confront but which has had a substantial impact on their fortunes.

The temptations dangled before the buyers of newly built homes have ranged from free Ford Fiestas and a fortnight in Miami to more mundane "welcome packs," filled with tea bags, toilet soap and kitchen towels.

Less frivolous initiatives include the subsidising of mortgage interest rates by up to half the 15 per cent figure currently recommended, mortgage payment protection in the event of redundancy, settlement of all legal fees and the purchase of the customer's existing home.

But the industry's efforts to improve sales have this time gone considerably further than the promotion of a blend of gimmicks and financial appetisers which have in the past been quickly shelved once demand picked up.

On this occasion, the housebuilders have not only done their best to make the house-purchase hurdle as low as possible but they have gone to considerable lengths to identify those parts of the housing market likely to survive best during the recession and then to concentrate their attentions upon them.

The end result has been a growing emphasis on cheaper, smaller homes which present first-time purchasers with the best chance of clambering onto the owner-occupied ladder.

Armed with household formation statistics which show a continuing reduction in the number of people living in each home (55 per cent of all households now contain only one to two people) the industry believes it has found the key to maintaining a respectable sales programme.

A building site: first step on the owner-occupier ladder?

Previous recessions in the housing sector have invariably left housebuilders out on a limb with expensive houses which sell well when times are good but which stand expensively empty when the market deteriorates. This time, however, far fewer developers appear to have been caught out.

According to Mr Roger Humber, director of the House-Builders Federation: "There was a surge in sales at the start of 1981 but with the Budget hitting personal expenditure and interest rate increases inflicting repeated blows on the housing market, we thought we had all the ingredients for a disaster.

"But this time, the builders have not let it happen. It would need a vivid imagination to believe the private housebuilding industry is doing very well but it has certainly managed to display an ingenuity which is helping generate a reasonable level of sales."

Mr Humber points out that house prices are now historically low in relation to incomes and housebuilders have been pushing a package approach which attempts to keep down the cost of entry into the market while offering the type of housing unit which many can still contemplate buying.

"Builders are principally pitching at first-time buyers and the building societies have been very supportive in angling their lending programmes in this direction. Despite the economic situation, there remains a strong underlying demand for house purchase and the challenge facing builders is to convert as much of that demand as possible into sales."

But if the housebuilders have managed to maintain sales at higher levels than they might at one stage imagined were possible, many have been paying the price.

In their efforts to keep sales going and so generate cash to minimise exposure to expensive borrowings, builders have seen some already tight margins coming under still further pressure. Neither has their situation been helped by the large backlog of unsold homes available on the second-hand market, where static or falling prices have imposed added constraints on the builders' room for manoeuvre.

The industry's problems have not, however, been accompanied by the sort of spectacular corporate collapses which characterised the housebuilding sector's last crisis in the early 1970s. But the difficult market conditions have helped separate efficient and effective managements from the rest of the field and the individual sales and profits performances among builders have varied widely.

Some developers have managed to maintain or even improve operating margins over the last year, but their position has undoubtedly been helped by a slackening in material price rises which may not be around to help them in 1982.

According to Mr Humber: "The builders have been cutting deeper into some already paper thin margins and the difficult state of trade has exposed some widely differing levels of management expertise.

"Some builders have managed, for example, to make their trade-in schemes work efficiently and profitably. They have the resources and experience to buy in customers' existing homes and to turn them over quickly without incurring losses or tying up badly needed funds for long periods. But others have not been so fortunate and it is a potentially dangerous area demanding the utmost caution."

The House Builders Federation has modest ambitions for its members in 1982 and believes prospects hinge almost exclusively on the outlook for disposable incomes. On that basis, it believes private housing demand over the year ahead will remain static or could probably fall back.

It comes as no surprise that housing developers like Barratt view the short-term future with considerably more optimism. In its last financial year, Britain's biggest housebuilder built and sold 11,500 homes—prices ranged from £12,000 to £200,000—and in its current year expects the total to reach 12,500.

Mr Laurie Barratt, chairman and managing director, says his group's success during such difficult times boils down to a better product range and better service.

Land shortages have been less significant in recent months

"We endeavour to offer something better than our competitors and something more attractive than the second-hand market can provide. Around 70 per cent of our business is aimed at the lower-margin, first-time buyer market, with more expensive housing making up the balance," says Mr Barratt.

"But we have consistently managed to increase our market share when times get tough while some other builders are finding life a lot more difficult. Our trade-in scheme, for example, has been built on years of experience and while we take in between 55 and 60 homes a week from customers buying our new houses, the same proportion goes out. The experiences of some of the builders have shown how such a scheme can backfire.

"I believe that the private housing sector is, in any case, over the worst and that demand and sales will steadily pick up from now on. The economy has turned the corner and more people will be buying the houses which they have wanted but which they have not had the confidence to buy," he adds.

Tarmac, another developer which has over the years developed a package approach to sales that remains a consistent part of its marketing programme, reckons it will have managed to repeat its 1980 total of around 4,000 sales during 1981. It cites stabilising material costs as one of the major factors behind its ability to maintain margins as well and is confident enough about 1982 to state that it is looking for growth.

Mr Jim Shaw, director of the Tarmac Housing Division, says a combination of purchasing incentives—people can move into Tarmac homes and build up the necessary deposit afterwards—and a continuing emphasis on housing for first-time buyers has helped maintain the group's market share.

Some of the industry's traditional operational problems—like land shortages—have been understandably less significant in recent months but the real challenge must lie in their ability to continue to pare margins down in order to maintain sales.

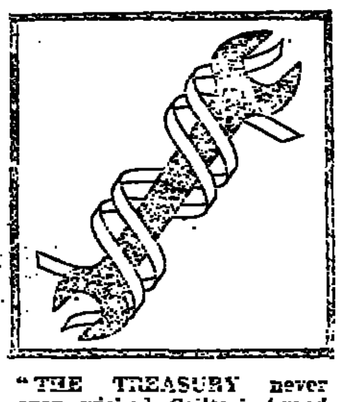
As Roger Humber of the House-Builders Federation puts it: "The industry's efforts to keep sales going have been very impressive. But there must be a limit to their ingenuity and any marked upturn in their fortunes must depend on factors beyond their control."

TECHNOLOGY

EDITED BY ALAN CANE

Biotechnology Epilogue BY DAVID FISHLOCK, Science Editor

Struggling for self-expression



"THE TREASURY never even wished Celltech 'good luck,'" lamented a senior British science administrator involved in the negotiations last year behind Britain's first major venture capital exercise in biotechnology. They were too preoccupied with protecting the taxpayers' money, he said.

(Fortunately for Celltech, one of its founders was himself a former Treasury official who knew his way through the corridors of obstruction.)

But Dr James Gowans, secretary of the Medical Research Council, whose discoveries Celltech wished to exploit, had trouble within his own ranks. Researchers resented the "commercialism" implied by the MRC's contract with Celltech, giving the fledgling venture capital company first right on its discoveries in genetic engineering.

They criticised the interference with their traditional freedom to publish and discuss their discoveries worldwide, and to swap specimens of microbes and living cells.

Thrilling

Between these two reactionary poles, a pocket of entrepreneurialism has been struggling for self-expression. It seeks to win enough freedom—and cash—to launch a new science-based industry, as thrilling as aviation and nuclear energy in their day.

As with the pioneers of both these advanced technologies, the biotechnologists have aroused some of the most negative reactions of society—envy, suspicion, resentment, even dread. The pioneers constantly encounter people who forecast nought but gloom and doom for their scheme.

For the last three months I have been interviewing the entrepreneurs of biotechnology, mainly but not exclusively in Britain, for a series of articles on this page. I have talked mainly to those who have the cash and authority—as well as the vision—to launch this new industry, about their hopes and fears.

With this article we end the present weekly series. The technology has undoubtedly arrived, even though there are far more pitfalls ahead than behind them. Next year this page will report regularly its technical progress.

They still chuckle about the pitfall which tripped one internationally known UK company with plantations in the tropics, which had the idea of cultivating biomass to make animal feeds. But it was deterred by the political antagonism other multinational groups had encountered. So it had the idea of feeding its protein to animals in demand for their fur rather than as human food. Only later did it learn how few furry animals seem to thrive in the tropics.

Frontier

Biotechnology is fermentation technology: one of the oldest in pursuit of food and drink, but reborn as an advanced technology in the 1940s for large-scale fermentation of penicillin. Genetic engineering, discovered in the mid-1970s, promises to add a huge new dimension by freeing the technologists from dependence on organisms which nature happens to provide.

Warnings by some of the scientists working at this new frontier, that unbridled exploration might possibly carry some risks, were swiftly extrapolated to forecasts of civilisation's self-destruction *if the activities of the entrepreneurs were not curbed.*

In the vanguard of opposition to genetic engineering in Britain were some familiar voices: the environmental movement, opponents of big business, critics of the drug industry, and trade unions seeking to extend their influence.

G. D. Searle, a U.S. company, the forays of which were pioneered in its British laboratories, as a largely non-union company found itself a particular target of union demands. It made concessions to the doomsters in its ambitious scheme for a £6m pilot plant for biologicals, just being commissioned, that others now fear may hamper development by overdoing the safety precautions.

After an international flurry of interest in the late 1970s, the governments of Britain and the Netherlands are almost alone today in having any serious interest in regulating genetic engineering.

Nevertheless, governments still find scope for protective action against the entrepreneurs of other nations—as Wellcome discovered when its interferon was selected for large-scale clinical trials in the U.S.

The U.S. Government raised objections on grounds of close association between the interferon technology and that used by Wellcome to make foot-and-mouth disease vaccine. FMD is a subject on which Americans are obsessionally cautious. (Britain recently concocted a similarly specious scientific case to prevent imports of French *turkeys.*)

The entrepreneurs themselves have different worries. One, especially for those with no interest in interferon, is fuelled by disappointing results from the first trials of the new sources of interferon. Much of the publicity for genetic engineering had focused on the elusive "cure for cancer." Early results suggest that interferon is neither a panacea nor free from side-effects.

Riskier

Would the public over-react and turn against biotechnology? Would investors withdraw their support? The British Petroleum Board was said to have reacted so emotionally after the debacle with its singlecell protein project in Sardinia that it was impossible for a few years to raise biotechnology at Board level.

Some entrepreneurs view pharmaceutical products as riskier bets because of the regulatory hurdles. They prefer to focus on speciality chemicals of high added-value, including food additives.

But prophylactics and cures for diseases considered incurable today are still the most glamorous goal of the biotechnologists, and the targets which will continue to hog the headlines. Picking good targets will be the key to commercial success, says Dr Charles Reece, ICI's director of research. His view was echoed again and again at board level.

Academics have lodged a different complaint. They see present enthusiasm for biotechnology as a golden opportunity to expand some departments at a time when university research generally is being contracted. Their answer is another 20 British professors to be moulded in their own image.

But Sir Geoffrey Allen, who wrestled with this particular problem as chairman of the Science and Engineering Research Council, puts it into perspective in his new role as director of research for Unilever, one of Britain's pace-setters in biotechnology. The universities are simply not producing the kind of inter-disciplinary skills industries need to exploit biotechnology.

What is more, Sir Geoffrey believes that not until companies like Unilever know precisely where they want to go with biotechnology—"the market pull"—will universities have good courses for biotechnologists.

Facsimile launch

KNOWN MAINLY in this country for its electronic wrist watches and pocket calculators, Casio is to introduce the FAX-80 facsimile machine into the UK via Mitsui Computers (01-397 5111).

Although most of the introductions of facsimile machines in the last two years have been to CCITT group 3 standards (which allows a page of A4 to be sent in under one minute), the Casio machine is Group 2 (between 80 seconds and six minutes, with corresponding image resolution).

However, Mr H. Shimizu, who heads Mitsui in the UK is aiming at those who do not want to pay the £4,000 to £5,000 price of a Group 3 machine. Casio's FAX-80 costs only £1,200.

Switchboard directory information

A SCREEN and keyboard unit which will give quick directory information to telephone switchboard operators has been launched by Sykes Datatronics of Twickenham (01-891 4796).

Most telephone operators, even those equipped with the latest in electronic PABXs, have to look up in a directory the number of the person asked for by the caller—assuming that she does not have it in her head.

The new system, called Call Assistant, uses a stand alone screen and keyboard on which various kinds of data can be called up. For example, all the "Smiths"—a common cause of confusion, can be displayed, with their numbers, or all the members of a particular department.

Call assistant is a microprocessor-based floppy disk system that can be fitted with displays for up to six operators at larger exchanges.

Generator

Retrieval of any name or other listing takes less than two seconds. New entries, name deletions or any other changes can also be made quickly and easily.

With a printer attached, the system becomes a useful generator of up-dated paper phone directories for use by the company staff.

Up to 5,000 entries can be stored, consisting usually of first and last name, title department, location of the individual, and for appropriate personnel, the name and extension number of the deputy.

It is also possible to enter special circumstances for individuals such as "on holiday" or "on secondment to another division." An average sized system costs under £5,000.

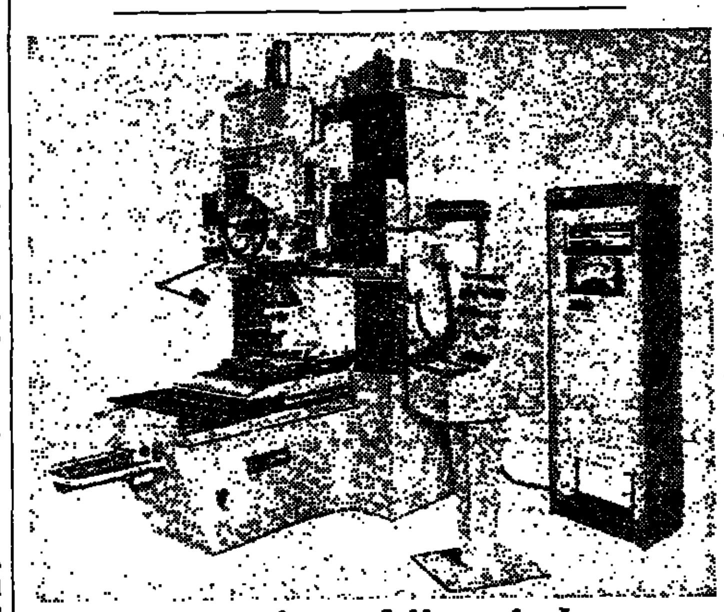
Punch machine

SEVERAL models of a double stage intensifier and integrated hydraulic cylinder from Pierce-All of Canada is to be introduced to the UK. The units can produce up to six tonnes of punching or piercing force at 80 psi. Air consumption is claimed to be 75 per cent lower than conventional units of similar capacity. Details of the Multicyl units can be obtained *from W W Industrial Supplies* (0932 56050).

Kingsland hydraulic steelworker

A PUNCH pressure of 40 tonnes is claimed for the 40/XSA hydraulic steelworker launched by Kingsland Engineering of 25-37 Hackney Road, London E2 (01-739 6357).

The 40/XSA is a three station machine able to perform punching, angle cropping, mitring and bar shearing. Extra tooling is available for bending, notching, radius cropping and round and square bar cropping. Full technical details from Kingsland.



New generation of jig grinders

TWO SWISS companies—Henri Hauser and Societe Genevoise d'Instruments de Physique have combined to produce what is described as "a new generation of jig grinding machines."

The machines have been designated the Hauser Sip S.40 CNC and the S.50 CNC. The machines have X and Y axes of 650 x 450 mm and 900 x 600 mm.

Full details and technical specifications are available from Societe Genevoise, Newport Pagnell, Bucks. (0908 611460).

Polystyrene shaping

BRITISH AEROSPACE has developed a method of plating expanded polystyrene shapes with a 0.5 mm layer of nickel to produce engineering components of good strength and stiffness, low weight and low moment of inertia.

In a U-shaped control yoke for a missile produced by this method, it was found that the metal skin was able to transmit the full force exerted by the actuator. The core is so low in mass that its existence is discounted by the stress engineer, who therefore considers the component as a perfect hollow box section. The component has behaved perfectly in test firings.

Licences

An advantage of the process is that load carrying components of complex shape can be made quickly and economically; made by more conventional methods they would be both heavier and more expensive to produce, for example machined forgings and castings, or assemblies fabricated from individual pressings.

The process is covered by patents but licences are available from British Aerospace Dynamics Group at Stevenage (0438 2422).

Container seals

CASE hardened steel is being used by Chester company, E. Dixon-Bate for seals used to secure containers. The company claims that the development is helping to stem thefts from containers in transit and in storage.

One shipper has already placed an order for 5,000 of the seals which are available ex stock for most types of containers. They can be individually numbered to shippers' requirements and are supplied as separate spigots and sockets. *No special tools* are required and hand pressure is sufficient to lock the device in the container door latch.

Tests have shown that tensile loads of more than 2.5 tonnes were needed to pull the two components apart. More from 0244 24034.

INTERNATIONAL PROPERTY

THE PROPERTY QUIZ BY MICHAEL CASSELL

Non-vintage year for property

EVEN THE most enthusiastic property connoisseur would be hard-pressed to claim that 1981 had been a vintage year for the property market.

But if interest has been lacking on the part of large numbers of hard-pressed potential tenants, it has been more than compensated for by events elsewhere on the property scene.

Although the volume of available floorspace has steadily risen, with weaker letting markets striking closer to property's prime core, there has been no slackening in the scale of interest on the part of those investors who continue to believe the long-term advantages of real estate outweigh any short-term problems which the markets may face.

Immediate difficulties in the marketplace have not deterred the funds and institutions from pursuing acquisitions with a vigour which have kept yields at rock-bottom, while many have at the same time been pushing further into the field of direct development.

The year has also been notable for the level of merger and takeover activity within the property sector. Some companies have been eager to buy an asset base on which to build the next phase of their expansion while others have reached the end of the long road to recovery on which they embarked several years ago. Some property companies still appear extremely ripe for the picking.

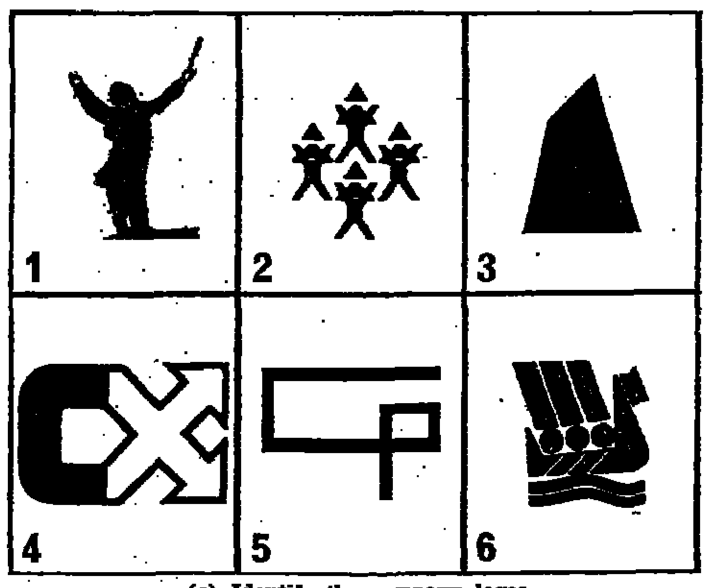
But, first, a brief look back. The property column asks its readers to test their knowledge and their memories in a seasonal quiz.

For the past two years, Quilter Goodison, the City broking firm, has emerged victorious. If they establish a hat-trick, two magnums of champagne must be theirs. For anyone wresting the laurels from them, there will be a single magnum.

Answers please to "The Property Market," Financial Times, Bracken House, 10, Cannon Street, EC4. They must be received by January 6.

(a) Bowing out. Who is he?

(b) Fast-mover. Who is he?



(c) Identify the company logos

(d) Bogey man? Who is he?

(e) U.S. bound. Who is he?

1—Why isn't Leslie Melville an Arsenal supporter?

*

2—Which central London office occupier is poised to protest by marching to Aldermaston?

*

3—Which journalist waited 21 years for his property scoop?

*

4—The Hempton Lane site is better known by another name. What is it?

*

5—What's the connection between Willie Whitelaw and Wych Cross?

*

6—Which property ace added Manhattan's Barbizan Plaza Hotel to his pack?

*

7—What do William Wilkins and the Viscount Belgrave have in common?

*

8—Which English enterprise zone was the first to become legally operational?

*

9—What stroke did Bradman play towards the City boundary?

*

10—Whose development plans are going into cold storage on the South Bank?

*

11—Who is in the picture in Broad Street?

*

12—Name two London theatres due to be given a new lease of life as a result of planning gain.

*

13—Whose Grand design has been rejected by the planners?

*

14—Mr Wogan made a Wembley appearance for which agent?

*

15—What do the Nabisco shredded wheat factory in Welwyn Garden City, Imperial Chemical House, Millbank and Hornsey Town Hall have in common?

*

16—Who got rebuked for some excellent "press cuttings"?

*

17—Where did the elusive Mr Zisman appear in the dock?

18—Who is putting new life into New York's Battery?

*

19—Who has their sights trained on Farnborough airfield?

*

20—What have Stuart Lipton and Victor Radmore got in common?

*

21—Who is European Ferries' golf pro?

*

22—What is the Navy doing in Ohio?

*

23—Who failed to do the job with a Bootle bulldozer?

*

24—Which Wokingham District councillor is going public?

25—Who is bringing an underwater adventure to Piccadilly?

*

26—Who is withdrawing from Wollongong?

*

27—Who quit France for £3.5m?

*

28—Which "ragged school" site in London has given way to a "high-tech, art-deco complex"?

*

29—Which developer is going to get a frosty reception in London?

*

30—Who said property "is about as good as investing in oil"?

31—Who said "Money should not be going into property but into restoring shabby, run-down, inefficient UK infrastructure"?

*

32—Who is turning bedroom suites into office suites along the Strand?

*

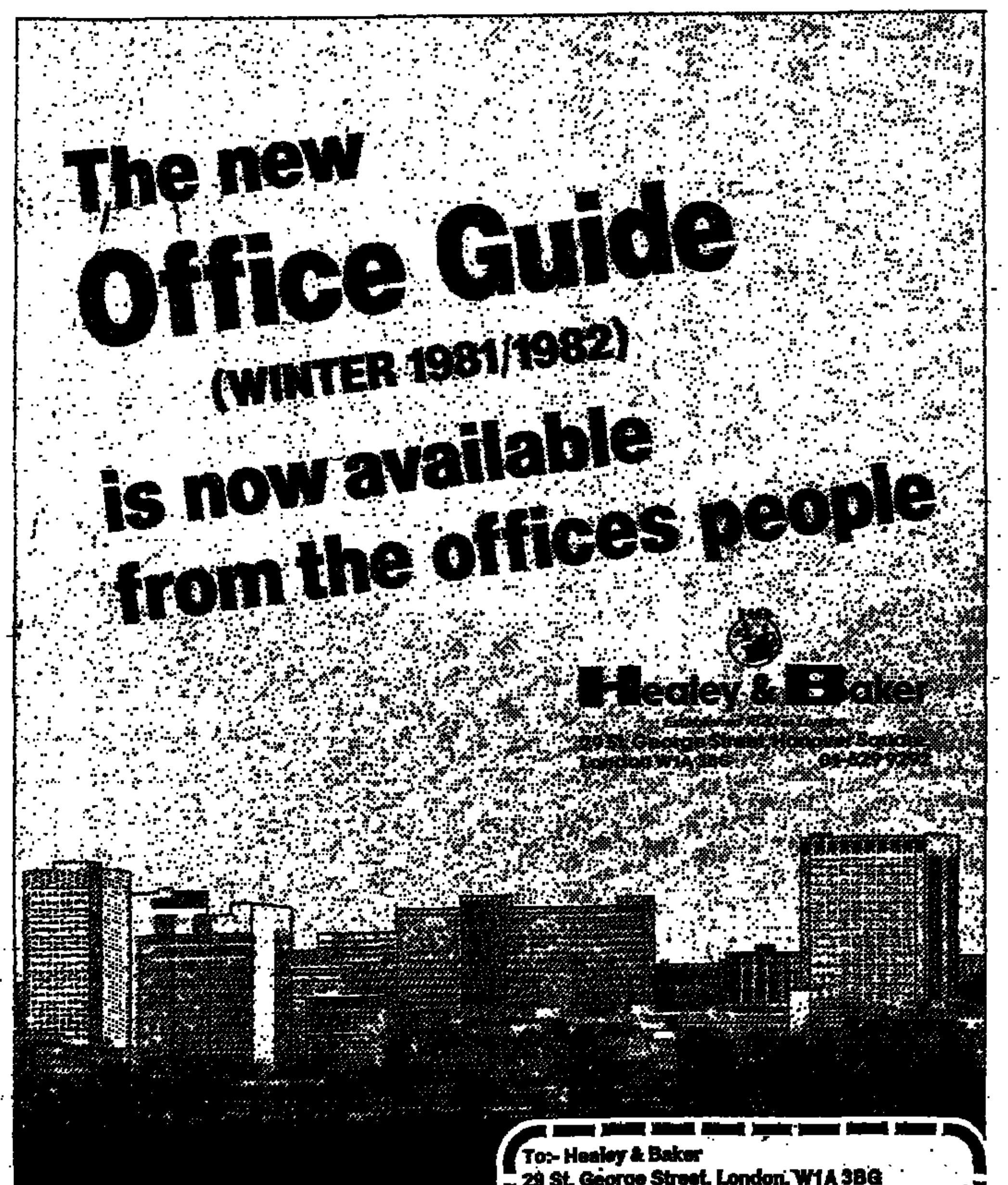
33—Who is redeveloping a site which once formed the venue for stars like Gigli, Gracie Fields and the Rolling Stones?

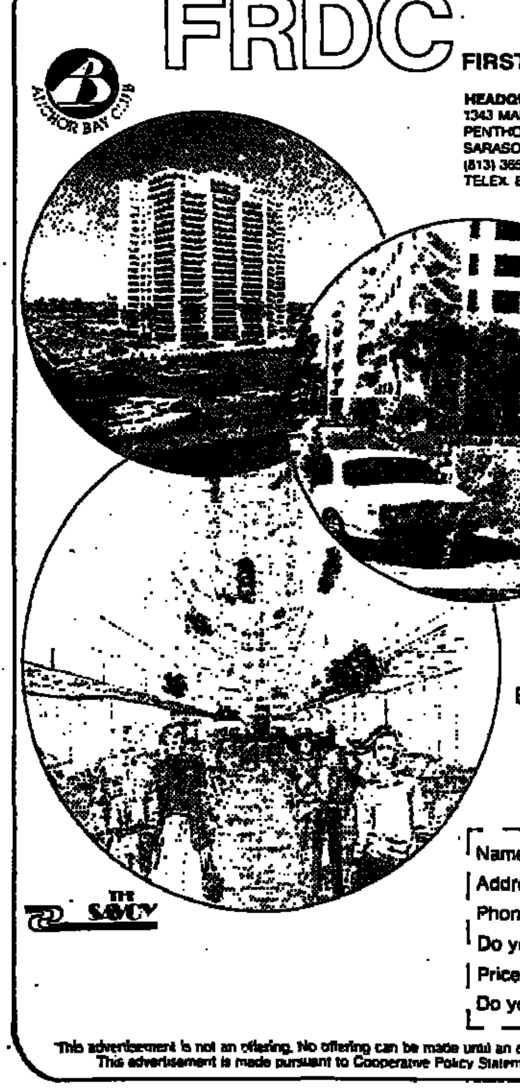
*

34—Who is moving in next door to the Dallas Cowboys?

*

35—Which developer is preserving a butter factory as part of a deal Down Under?





FT COMMERCIAL LAW REPORTS

Ship's blacking unlawful secondary action

MARINA SHIPPING LTD v LAUGHTON AND ANOTHER

Court of Appeal (Lord Justice Lawton, Lord Justice Brightman and Lord Justice Oliver): December 11 1981

WHERE A party to an industrial dispute takes secondary action by preventing the supply of services to the other, in order to establish that such action is lawful he must show that a contract existed between the party against whom the action is taken and the employer whose employees' services are withdrawn.

The Court of Appeal so held when dismissing an appeal by Brian Laughton and Harry Shaw, officials of the International Transport Workers Federation (ITF), from an interlocutory injunction granted by Mr Justice Parker (December 4 1981) prohibiting the blacking of the vessel Antama, owned by Marina Shipping, a Maltese company.

* * *

Section 17 of the Employment Act 1980 provides: "(1) Nothing in section 13 of the [Trade Union and Labour Relations Act 1974] shall prevent an act from being actionable in tort . . . where . . . [there] has been secondary action which is not action satisfying the requirements of subsection (3) . . . below.

"(2) . . . there is secondary action in relation to a trade dispute when, and only when, a person—(a) induces another to break a contract of employment or interferes or induces another to interfere with its performance . . .

"(3) Secondary action satisfies the requirements of this subsection if—(a) the purpose . . . was directly to prevent or disrupt the supply of . . . services between an employer who is a party to the dispute and the employer under the contract of employment to which the secondary action relates. . . .

"(6) In subsection (3) (a) . . . above . . . references to the supply of . . . services . . . are references to the supply of . . . services by one [employer] to the other in pursuance of a contract between them subsisting at the time of the secondary action . . ."

*

LORD JUSTICE LAWTON said that the ITF was a federation of national trade unions in 85 countries representing transport workers of all kinds.

The Antama, which was hired on a time charter, carried a cargo of palm kernels for delivery in Hull. Shipping agents in Hull, being apprised of the ship's approach by the charterers' agents, arranged with the port authority for a berth to be available in the dock, and made further arrangements for the reception of the vessel and for pilot services.

After the Antama had docked, 14 Turkish members of the crew complained to the ITF about their pay. ITF officials made investigations and concluded that the crew were not being paid in accordance with European standards. They demanded of the ship's owners that the crew be paid at rates appropriate for Europe and that they should also be paid back-pay.

Payment of the back-pay required an outlay of $129,000. The owners said that they did not have the money and that if the ITF persisted in its demand, the ship would have to be sold. As a result, the ITF decided that the vessel should be blacked.

The appropriate unions, the National Union of Seamen, the National Union of Railwaymen (NUR) and the Transport and General Workers Union, whose members supplied services in the docks, were informed of the decision and ordered to withdraw their services from the vessel. As a result of the blacking order, the NUR members refused to operate the lock-gates and in so doing they broke their contract of employment with the port authority.

While all that was going on, the cargo was unloaded and by December 2 the ship was ready to sail. The owners issued a writ in the High Court seeking, inter alia, injunctions restraining the ITF officials from continuing to black the ship. Their application was granted on the ground that the ITF action appeared to be unlawful secondary action within the meaning of section 17 of the Employment Act 1980.

The ITF officials now appealed to the Court of Appeal, claiming that the blacking was not unlawful.

*

The owners had a cause of action for unlawful interference with their contracts with the charterers and others, and for interference with their business by unlawful means. Before August 1 1980, despite the fact that they had those causes of action, they would not have had a remedy against the ITF because of the operation of section 13 of the Trade Union and Labour Relations Act 1974, as amended by the Trade Union and Labour Relations (Amendment) Act 1976. That section conferred immunity from action in tort on persons who committed acts done in contemplation or furtherance of trade disputes. Section 13 was amended by section 17 of the Employment Act 1980.

On the face of it, the ITF was inducing lock-keepers to break their contracts of employment with the port authority. That was unlawful secondary action, unless legitimised under section 17(3) of the 1980 Act. Having regard to subsection (6) of section 17, if there was a contract between the port authority and the owners of the vessel (who were "a party to the dispute"), then the secondary action was lawful under subsection (3). If there was no such contract, then the secondary action was not lawful under subsection (3).

Everything turned on the question, on whose behalf did the shipping agents contract, if at all, for the provision of the port authority's services? Mr Hoffmann, for the ITF, asserted that a contract was made on behalf of the owners through the ship's master. Mr Buckley, for the owners, said it was made on behalf of the charterers.

Mr Hoffmann based his submission on the proposition that where a vessel was on time-charter, the Master (who was the owners' employee) was prima facie the owners' agent, and, as such, had ostensible authority to authorise expenditure on their behalf.

That proposition lacked legal authority. Mr Hoffmann referred to a case of 1682 in the reign of Charles II, the Mayor and Commonalty of London v Hunt, where it was held that a Master was responsible for paying the tolls on a ship moored in the Thames; but times had changed since 1682, particularly in the shipping world. Nowadays, ships engaged in deep-water traffic might be under the control of the owner, of somebody to whom they had been demised, or of a charterer under a time charter. Nobody could ever tell whether a Master had authority to pledge the credit of whoever was in control of the ship without inquiring into the circumstances of the particular ship.

There was no holding out by the owners that the Master had any authority from them to incur expenses for ship's dues. The evidence was that when the shipping agents made their contract with the port authority they had no authority of any kind from the owners to contract on their behalf.

The port authority would have to look to the shipping agents for payment of dues and charges. If it did not get the money from them, as it was entitled to do, it would have to find out as best it could who were the identified principals for whom the shipping agents were acting.

The consequence was that although the ITF succeeded prima facie in bringing itself within section 17(3), the ITF failed to show that section 17(6) applied, because there was no contract between the party in dispute and the party whose supply of services was interrupted by the action of the ITF.

In those circumstances the appeal should be dismissed.

*

LORD JUSTICE BRIGHTMAN said that the controversy lay in whether the owners' cause of action, which was removed by the 1974 Act, had been restored by the 1980 Act.

The effect of section 17 was that the cause of action was restored only if there had been secondary action which had not been legitimised.

It was common ground that there was secondary action in relation to a trade dispute. In deciding whether that secondary action was legitimised by section 17 (3), it was necessary to look first at the purpose of the secondary action to see whether it was designed directly to prevent or disrupt the supply of services between the employer who was party to the dispute, and the employer under the contract of employment to which the section related.

Subsections (3) and (6) of section 17 must be read together. They showed that in order to legitimise the secondary action it was essential to establish the existence of a contract between the owners, who were the party to the dispute, and the port authority, which was the employer under the contract of employment to which the secondary action related for the supply of services to the owners. There was no evidence of such a contract. The only contract was between the time charterers and the port authority.

Accordingly, the cause of action was restored by section 17, with the result that the owners were entitled to interim relief.

Lord Justice Oliver agreed.

For the ITF officials: L. H. Hoffmann QC and C. W. F. Newman (Clifford-Turner).

For the owners: Roger Buckley QC and Timothy Charlton (Holman, Fenwick and Willan).

By Rachel Davies
Barrister

TELEVISION

Chris Dunkley: Tonight's Choice

A good night for snuggling down with that huge novel by Anthony Burgess or Salman Rushdie that you keep telling yourself you'll read. If instead you simply must have a small-screen fix and you have been out of the country for 10 years, thus missing all the previous showings, ITV is once again screening Planet Of The Apes. Charlton Heston is hardly God's gift to acting, and director Franklin Schaffner doesn't help much either: the film's few good qualities (mostly originating in Pierre Boulle's book) creep through despite him.

The one original television programme which sounds worthy of note is BBC-2's "Playhouse" production Dancing Country. Three of those involved give it special interest. Writer Peter Buckman has written episodes for all the day-time television serials but has never had a work presented after 6.00 pm before. Director Michael Darlow has an impressive record in both documentary and drama; he made a memorable programme about William Turner and Elsie Randolph, 30 last week, who takes the lead, used to partner Jack Buchanan.

BBC 1

12.30 pm News After Noon. 12.57 Regional News for England (except London). 1.00 Pebble Mill At One. 1.45 The Flumps. 2.00 When The Bough Breaks. 3.15 Cadwynau yn y Meddwl. A poem commemorating the death of Martin Luther King. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Mighty Mouse. 4.25 Jackanory. 4.40 Captain Caveman. 4.50 Crackerjack. 5.35 The Amazing Adventures of Morph.

5.40 News.

6.00 Regional News magazines.

6.22 Nationwide.

7.00 Team Disco.

7.45 Whatever Happened to The Likely Lads?

8.15 Terry and June.

8.45 Points of View.

9.00 Nine O'Clock News.

9.25 Kessler.

10.20 International Show Jumping from Olympia.

11.00 On the Town.

11.30 News Headlines, weather.

11.35-1.05 am *The Late Film*: "Arabella," starring Virna Lisi.

LONDON

9.30 am Cartoon Time. 9.40 The World We Live In. 10.05 Echo of the Wild. 11.05 Welcome Back, Kotter. 11.30 The Further Adventures of Oliver Twist. 12.00 A Handful of Songs. 12.10 pm Once Upon a Time. 12.30 Looks Familiar. 1.00 News. 1.20 Thames News. 1.30 Taff Acre. 2.00 After Noon Plus. 2.45 Friday Matinee: Lee Van Cleef, Tony Musante in "Nowhere to Hide." 4.15 Watch It. 4.20 Storybook International. 4.45 Freetime. 5.15 White Light.

5.45 News.

6.00 Thames News.

6.30 Sport.

7.00 "Planet Of The Apes," starring Charlton Heston and Roddy McDowall.

9.00 The Gentle Touch.

10.00 News.

10.30 Soap.

11.00 The London Programme.

11.30 Police 5 with Shaw Taylor.

11.45 Strumpet City, starring Cyril Cusack.

† Indicates programme in black and white.

BBC 2

11.00 am Play School.

11.25 Closedown.

3.55 pm International Pro-celebrity Golf.

4.45 War At Sea.

†5.30 Tarzan's Desert Mystery.

6.40 Hold Down a Chord.

6.55 News Summary with subtitles; Weather.

7.00 Oxford Road Show.

7.40 In the Country.

8.10 Playhouse.

9.00 The Mike Harding Show.

9.30 In Transit.

10.20 World's End.

10.50 Newsnight.

11.35-12.30 am Friday Night . . . Saturday Morning.

All IBA Regions as London except at the following times:—

ANGLIA

9.30 Larry the Lamb. 9.40 A Christmas Star. 10.05 Cities. 10.55 International Darts. 11.50 Watoo Watoo. 1.20 Anglia News. 2.00 Houseparty. 12.25 Film Matinee. 5.15 Mork and Mindy. 6.00 About Anglia. 7.00 The Assassination Bureau. 10.00 News at Ten, followed by Anglia News. 11.00 Members Only Christmas Quiz. 11.30 Friday Late Film: "The Viking Queen." 1.10 am England's Nazareth.

ATV

9.25 am European Folk Tales. 9.40 Something Different. 9.55 The Lost Islands. 10.20 It's a Musical World. 11.10 Cities: Berlin 1.20 ATV News. 2.45 Movie Matinee: The Young Pioneers' Christmas. 5.15 Here's Boomer. 6.00 ATV Today. 7.00 Feature Film: "Duel at Diablo"—Sidney Poitier. 10.30 Christmas at WKRP. 11.00 ATV News. 11.05 Thriller: In The Steps of a Dead Man.

GRANADA

9.30 am Animated Classics. 10.15 The Last of the Wild. 10.35 Bailey's Bird. 11.00 Sesame Street. 1.20 pm Granada Reports. 2.45 Scruples. 3.40 Sail Amsterdam. 5.15 Here's Boomer. 6.00 Granada Reports. 6.30 Kick Off. 7.00 The Three Musketeers. 10.30 A Week on Friday. 11.00 Roots. 11.30 The Late Film "Dracula AD 1972."

HTV

10.00 am Sesame Street. 11.00 Wonders of the Underwater World. 11.30 The Flintstones. 11.55 Casper the Friendly Ghost. 1.20 pm HTV News. 2.45 Robot Ringer. 2.50 How to Break Up a Happy Divorce. 5.15 How's Your Father. 6.00 Report West. 6.30 Profile. 10.28 HTV News. 10.30 Store of the West. 11.00 Thriller. 12.20 am Weather.

HTV CYMRU/WALES. As HTV WEST except — 12.00-12.10 pm Ffalabalam. 1.20 Happy Days. 4.15 Cardoonov 'Y Souk. 6.00 Y Dydd. 6.15 Report Wales. 6.30 Taff Acre. 7.00 Chips. 8.00 Tomorrow's Star . . . Maybe? 10.30 Farewell My Lovely. 12.15 am Weather.

SCOTTISH

9.30 am City of the Gulf. 9.55 History of the motor-car. 10.20 Story Hour—Pinballs. 11.10 Picasso. 11.55 Adventures of Parsley. 1.20 pm News and Road and Weather. 2.45 Dick Tracy Cartoon. 2.50 Friday Matinee—Magnificent Magical Magnet of Santa Mesa. 5.15 The Gaffer. 6.00 Scotland Today. 6.25 Sports Extra. 6.45 Her Hen. 7.00 Benson. 7.30 Feature Film—The Street Fighter. 10.30 Ways and Means. 11.00 That's Hollywood. 11.30 Curling. 12.15 am Late Call.

SOUTHERN

9.30 am Untamed World. 9.55 Poetry of Landscape. 10.10 Story Hour. 11.10 The New Fred and Barney Show. 11.35 Christmas Star. 1.20 pm Southern News and Weather. 2.00 Houseparty. 2.25 Captain's Courageous. 5.15 Here's Boomer. 6.00 Day by Day. 6.10 Scene South East. 6.30 The Entertainers. 7.00 Two Rode Together. 10.00 News followed by Southern News Extra. 10.35 The Counterfeit Traitor. 1.05 am Weather Forecast, followed by Rome comes to Canterbury.

TYNE TEES

9.20 The Good Word. 9.25 North East News. 9.30 Stars On Ice. 9.55 Coral World. 10.40 Cartoon Time. 10.50 Harrison's Yukon. 11.20 It's Hercules the Wrestling Bear. 1.20 North East News and Lookaround. 2.45 Friday Matinee: "The Big Job." 5.15 The Clifton House Mystery. 6.00 North East News. 6.02 Sportstime. 6.30 Northern Life. 7.00 The Hot Rock. 10.30 North East News. 10.32 Friday Live. 12.00 Superstar Profile: "Woody Allen." 12.30 am Post's Corner.

ULSTER

1.20 pm Lunchtime. 1.29 Road To Bethlehem. 2.45 Friday Matinee: "The Young Pioneers' Christmas." 4.13 Ulster News. 5.15 Survival: "The Down Makers." 6.00 Good Evening Ulster. 6.59 Road To Bethlehem. 7.00 Feature Film: "Living Free." 9.30 Motion. 10.28 Road To Bethlehem. 10.32 Ulster Weather. 10.30 Witness. 10.35 Lou Grant. 11.30 Bedtime.

WESTWARD

9.40 am Sesame Street. 10.40 Robin Hood. 11.05 Spy Extraordinary. 11.35 Hands. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 The Adventures of Niko. 6.00 Westward Diary. 7.00 Feature Film: Operation Crossbow. 10.32 Westward Late News and Weather. 10.35 Paris by Night. 11.00 Late Night Movie. 12.35 am Faith for Life. 12.40 West Country Weather and Shipping Forecast.

YORKSHIRE

9.30 am Larry the Lamb. 9.40 A Christmas Star. 10.05 Young Ramsay. 11.00 The Poppy Who Wanted a Boy. 11.25 Welcome Back, Kotter. 11.50 Watoo Watoo. 1.20 pm Calendar News. The Weather. 2.45 Friday Film Matinee: "Quest for Love." 5.15 Here's Boomer. 6.00 Calendar Sport. 7.00 The Three Musketeers. 10.30 International Bowls. 11.00 The Friday Night Film: "Crescendo."

RADIO

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 12.30 pm Newsbeat. 2.00 Paul Burnett. 5.30 Newsbeat. 5.45 Roundtable. 7.00 Andy Peebles. 10.00 The Friday Rock Show.

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S) including 1.45 Sports Desk. 2.00 pm Ed Stewart (S) including 2.45, 3.45 Sports Desk. 4.00 David Hamilton (S) including 4.45 Sports Desk. 5.45 News; Sport. 6.00 David Symonds (S) 8.00 Sequence Time (S). 8.45 Friday Night is Music Night (S). 9.55 Sports Desk. 10.00 Marks in His Diary. 10.30 The Bing Crosby Show. 11.02 Sports Desk. 11.05 Brian Matthew with Round Midnight, including 12.00 Midnight News-room Weather; Motoring Information (S). 1.00 am Truckers' Hour (S). 2.00-5.00 You And The Night And The Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert. 9.00 News. 9.05 This Week's Composer (S). 10.00 Songs and Chamber Music (S). 10.55 Utah Symphony Orchestra (S). 11.35 Cello and Piano (S). 12.20 pm Midday Concert (S). 1.00 News. 1.05 Midday Concert (S). 1.55 Sergio Abreu (S). 2.25 Takacs Quartet (S). 3.15 Williamson and Crosse (S). 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.55 Play It Again (S). 7.00 Die Meistersinger Von Nurnberg (S). 8.45 Poetry 81. 9.30 Music in Our Time (S). 10.30 The Old Magician. 11.00 News. 11.05-11.15 Purcell (S). 12.20-12.20 am Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Desert Island Discs. 9.45 Ebdon's England. 10.00 News. 10.02 International Assignment. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 You the Jury. 11.58 Bird of the Week. 12.00 News. 12.02 pm You and Yours. 12.27 The Senior Partner. 12.55 Weather; Programme News. 1.00 The World at One: News. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour from Northern Ireland. 3.00 News. 3.02 Afternoon Theatre. 4.05 Poetry Please! (s). 4.15 Herbs, useful plants. 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; Programme News. 6.00 The Six O'clock News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (s). 8.10 Profile: A personal portrait. 8.30 Any Questions? 9.15 Letter from America by Alistair Cooke. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight: News. 10.35 Week Ending (s). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 Glyn Worsnip. 12.00 News; Weather Report and Forecast. 12.15 am-12.23 Shipping Forecast; Inshore Waters Forecast.

(S) Stereophonic broadcast
‡ Medium Wave only

APPOINTMENTS

Ransome Hoffmann Pollard finance director

Mr Anthony Eastwood has been appointed group finance director of RANSOME HOFFMANN POLLARD and will take up his position on January 1.

*

Mr P. N. M. Rudder has been appointed a director of THE BRITISH ELECTRIC TRACTION COMPANY. He holds a number of chairmanships and directorships in the group and, as already announced, he will on January 1 become chairman of one of the largest subsidiaries, United Transport Company.

*

THE SCOTTISH LION INSURANCE COMPANY states that from December 21, Mr J. R. Charman will join the company as marine manager and underwriter.

*

Mr John Page, who retires as a director of the Bank of England on February 28, will join the board of the AGRICULTURAL MORTGAGE CORPORATION on April 1. It is intended that Mr Page will succeed Mr John Glyn as chairman of AMC after the annual meeting on July 14. Mr Page joined the Bank of England in 1948 and was appointed chief cashier in 1970.

*

Mr David Cameron-Moore has been appointed senior vice-president and general manager of the AMERICAN EXPRESS travellers cheque division for Europe, Middle East and Africa from January 1. He will replace Mr John Maslanka, who is moving to Canada to become senior vice-president in charge of both American Express card and travellers cheque operations. Mr Cameron-Moore will be based in London.

*

Mr Alan Mitchell has been appointed managing director of FARROW CONSTRUCTION (NORTHERN), part of the Lovell Group. He succeeds Mr Doug Bourne, who continues as marketing consultant.

*

Mr T. G. Robson has been appointed managing director of WILLIAM BLYTHE AND CO. in succession to Mr P. M. Shaw who has retired.

*

Mr Brian Croft has been appointed commercial director of PENTOS HOME AND OFFICE PRODUCTS GROUP (formerly Caplan Profile Group). Mr Croft was employed as group sales and marketing director of Twinlock.

*

Mr D. I. R. (Ian) Featonby has been appointed marketing director of HEAD WRIGHTSON TEESDALE.

*

Mr Horace Fielder has been appointed general manager (market planning) of the NATIONWIDE BUILDING SOCIETY. He was general manager (operations). Mr Fred Desmond has been appointed general manager (operations) and Mr Harry Jackson has been appointed assistant general manager (field operations).

*

Mr S. F. Townsend, a non-executive director of CARPETS INTERNATIONAL, is to retire from the board on January 3.

CLYDESDALE BANK has appointed Mr D. Ritchie Robertson, an assistant general manager at head office in Glasgow, as manager of its head office in London. Mr Robertson succeeds Mr W. R. Smith, who has been the Bank's Lombard Street manager since 1973.

*

Mr Peter Smith, who was formerly with Unilever and is currently a director of Argyll Quality Foods, has been appointed managing director of YORKSHIRE BISCUITS. Both companies are subsidiaries of Argyll Foods. He succeeds Mr Peter H. Gray, who has resigned as managing director of Yorkshire Biscuits and as a director of Argyll Quality Foods, to develop his own business interests.

*

Mr Robin David Broadley has been appointed as a non-executive director of FERRANTI. He is a managing director at Baring Brothers and Company. Mr Charles Roger Scott has been promoted to the main board. He joined Ferranti in 1979 as deputy controller of finance, becoming controller a year later. Mr Alan Arthur Shepherd, managing director of Ferranti Electronics and chairman of the Ferranti California Group, has also joined the main board.

*

Mr Daniel Romer-Lee has been appointed a senior manager of BROWN SHIPLEY AND COMPANY from January 1.

*

Mr M. J. Lavansch has been appointed branch manager of the West End branch of PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION. Mr T. M. Verity has been appointed assistant branch manager of the London central branch from January 1.

*

McANALLY CORPORATE SERVICES, the corporate finance subsidiary of McAnally, Montgomery and Company, members of The Stock Exchange, has appointed Miss Elizabeth J. D. Barker a director.

*

Mr Michael Bohling has been appointed broking and production director of ANTHONY LUMSDEN AND COMPANY, Lloyd's brokers.

*

Mr Peter Smith, public affairs manager of Powell Duffryn, has been elected chairman of the CITY AND FINANCIAL GROUP OF THE INSTITUTE OF PUBLIC RELATIONS in succession to Mr Roger Hayes. Mr Christopher Ashton-Jones has been elected to succeed Mr Smith as deputy chairman and Mr Anthony Spalding has been re-elected as treasurer.

*

Mr Jean-Pierre Galy, vice president of FIDELITY BANK (PHILADELPHIA) has been appointed general manager of the London branch. He will remain head of the Europe/Middle East-Africa division.

*

Mr Michael D. R. Moore, vice-president, has been appointed to head BANKERS TRUST'S representative office in Manchester, where he assumes responsibility for the north of England section of the UK domestic banking division. Mr Moore, formerly with the southern section based in London, will also be responsible for world corporate department relationships in the north. In London, Mr Roy A. Smethurst, vice-president, has moved from the international department, Europe-UK Group, to the world corporate department's commodities division, and Mr Colyn Gardner, vice-president, has been appointed to the world corporate department, UK division.

In New York, Mr Anthony O. Arcuni, senior vice-president, has been named head of the Middle East/Africa Group within the international department. Mr J. Anthony Wallace has been promoted to senior vice-president and succeeds him as head of the international investment management group.

*

TARMAC has formed a new company, Tarmac Roadstone — which will manage the integrated business of Tarmac Roadstone (Northern), Tarmac Roadstone (Southern) and Hoveringham, in England and Wales. Mr Roy Kettle will be chairman, Mr Carr, managing director, and Mr Dennis Body, assistant managing director. Tarmac Roadstone will, in turn, operate through four subsidiary companies: Tarmac Roadstone (Western), Tarmac Roadstone (Eastern), Tarmac Roadstone (Southern) and Tarmac Topmix.

Managing directors of the companies will be Mr Charles Novotny (Western), Mr Jack Mawdsley (Eastern), Mr Peter Rothwell (Southern), and Mr Bob Whiteside (Tarmac Topmix). Tarmac Roadstone (US) will be the holding company for all Tarmac interests in Florida and Hoveringham interests in Texas, under managing director Mr Ernest Hughes. Another new company, under managing director Mr Ken Pitchford, will look after the waste disposal interests of Hoveringham Waste Control and Tarmac's Econowaste.

*

Mr C. P. Hazlehurst has been appointed chairman of TORVALE GROUP, Leominster. He succeeds Mr T. F. Honess who resigns on December 31 after completing his three years' duty. Mr Honess remains on the board as a non-executive director.

*

Mr Patrick Dolan, formerly head of management services of the plastics division of ICI, has been appointed associate director of the INDUSTRIAL PARTICIPATION ASSOCIATION. Mr David Buckle, Oxford district officer of the Transport and General Workers Union, and Mr Gordon Hourston, staff director of The Boots Company, have joined the IPA executive committee.

*

Mr David Cameron-Moore has been appointed senior vice-president and general manager of AMERICAN EXPRESS travellers cheque division for Europe, Middle East and Africa, from January 1. He will replace Mr John Maslanka, who is moving to Canada to become senior vice-president in charge of both American Express card and travellers cheque operations. Mr Cameron-Moore will be based in London.

*

Mr John C. Finlayson, a director of UNITED BISCUITS (UK), retired from the board on December 9, 1981, after 45 years' service with the company. He joined McVitie and Price in Edinburgh in 1936.

KREDITIEBANK

S.A. LUXEMBOURGEOISE

43, BOULEVARD ROYAL, LUXEMBOURG

It is with profound sorrow that we inform you of the death of our Executive Director and great friend

ANDRE M. COUSSEMENT

in a fatal car accident which occurred on December 14th, 1981.

The grievous news of his death has profoundly affected not only his colleagues within the bank but also the whole international banking community, which held him in the highest esteem.

His understanding of human problems was combined with a great sense of fairness in his business life. We shall always hold him in grateful remembrance as a man whose professional abilities and human qualities were appreciated by all.

The Board of Directors
The Executive Committee
The Management and the Staff

FINANCIAL TIMES SURVEY

Friday December 18 1981

International Gas Industry

Companies in the gas business are entering an era of fiercer competition as the annual growth in demand slows. The industry realises that the drive for new markets will involve it in battles on several fronts.

Tougher times as growth slows

By Ray Dafter
Energy Editor

THE international gas industry has entered a new, more challenging era in which producers and consumers will find it increasingly difficult to avoid public attention and controversy.

The rapid growth in consumption over the past two decades is unlikely to be repeated. Major energy companies—among them Exxon and Texaco—are now forecasting that natural gas will just about hold its own in the balance of fuel supplies over the next 20 years.

This will mean that at the turn of the century gas should be accounting for around 18 to 19 per cent of total world energy supply. The annual growth rate in gas demand is expected to be between 2.5 and 3 per cent a year as against historic rates of around 7.3 per cent in the 1965-73 period and 3.6 per cent between 1973 and 1979.

The worldwide conversion from manufactured gas to natural gas is now virtually complete. In future, companies involved in the gas business will have to base much of their expansion on new markets and the displacement of other fuels.

As Mr Malcolm Peebles, director of Shell International Gas, commented: "The business has reached a stage of maturity where expansion becomes more competitive and less of a self-generating nature than was the case in the past."

That competitiveness, now becoming increasingly evident, has already provoked:

- Pricing rows (Algeria, for instance, is at odds with France and Italy over export prices);
- Inter-governmental battles over supplies (the UK was caught in a losing fight with Continental countries over fresh Norwegian exports); and
- Diplomatic tension (the U.S. government tried in vain to thwart the new Soviet-Western European gas deal, described by Mr Richard Perle, U.S. assistant defence secretary, as "inimical to our interests").

The Soviet supply agreement, involving the pipeline export of some 40bn cu m of gas a year into West Germany, France, Italy and other Continental countries from the mid-1980s, illustrates some of the problems for those trying to assess the true market value for natural gas.

Within the industry it is thought that the Soviets were originally considering a price which roughly equated with the value of crude oil—around $6.50 a million Btu (British thermal unit). As hard negotiations began between Soyuzgazexport and the West German buyer, Ruhrgas, Soviet expectations fell to nearer $5.50 a million Btu.

In the end, a base (mid-1981) price was set at around $4.70 a million Btu, a value more akin to low sulphur fuel oil. What is more, Ruhrgas—as head of a buying consortium including Thyssengas, Gelsenberg, Salzgitter Ferngas and Gewerkschaft Brigitta-Elwerath—also arranged to pay in Deutschemarks rather than in conventional dollars.

Ruhrgas was able to bid from a position of some strength. It knew that the deal was vital to Soviet gas development plans which are designed to lay the foundation for hard-currency exports in the late 1980s when oil exports could well have disappeared.

Ruhrgas was also able to argue that the markets for gas in West Germany would not warrant a price close to crude oil parity. According to the International Energy Agency by 1985 natural gas should be accounting for about a quarter of the energy needs of German industry and about 13 per cent of the electricity generation industry's fuel.

In these markets the main competing fuel for the gas industry is fuel oil and coal. By 1985 natural gas should be accounting for about 22 per cent of Germany's premium residential and commercial fuel markets where the main energy competitor is gas oil.

Price push

The German energy balance differs substantially from that of the UK, where the British Gas Corporation has endeavoured to concentrate its marketing effort in the premium sectors. Consequently, by 1985 natural gas should not be used at all in power generation and yet should account for 52 per cent of the residential and commercial energy market.

In Western Europe as a whole, the domestic sector accounts for some 43 per cent of gas sales. It is in this market that gas competes mainly with gas oil and electricity. Some 14 per cent of Europe's gas supplies goes into power generation where the competitive fuel is very heavy fuel oil and coal. The remaining 43 per cent of gas is bought by industry which could buy low or high sulphur fuel oil as a main alternative.

It was on this basis that, in 1977, the Algerians and Italians agreed a formula linking the price of Algerian gas exports to a basket of oil products: 50 per cent high sulphur fuel oil, 30 per cent low sulphur fuel oil, and 20 per cent gas oil. According to last week's Petroleum Intelligence Weekly that formula would make a January 1982 gas price—at the Algerian border—of about $3 a million Btu.

The Algerians, now renegotiating the contract, are seeking to push the price much nearer to crude oil parity, a similar ploy to that being attempted in their lengthy negotiations with the French.

Japan—a major user of liquefied natural gas (LNG) from the Middle East, South East Asia and Alaska—has has already accepted the principle that gas prices should be linked to the delivered price of crude oil. As a result, Japan will be one of the first markets probed by some of the new countries seeking to export LNG, most notably Qatar. The processing and transportation of LNG is a costly business.

Japan, however, has little option but to pay crude parity prices. The country has tight environmental controls which make it necessary to burn large volumes of clean gas. And, as yet, Japan has little domestic production of its own.

Change needed

This is not the case for gas users in general. In marked contrast to widely-traded crude oil, about 87 per cent of the world's natural gas output is consumed in the country of production. As a result many national gas industries have been insulated from pricing movements in the international energy scene.

The UK provides a case in point. Prices paid by domestic gas users have been held down by successive governments while, offshore, oil companies have complained that British Gas Corporation—a monopolistic buyer—one which holds the right of acquisition from a number of sellers—has paid too little for supplies. The present government is set on a new course: British Gas has been told to raise the price of domestic gas by 10 per cent a year in real terms. The corporation's monopoly rights over supplies are also being broken.

The U.S. is another major producer-cum-consumer now trying to get to grips with out-of-date prices. President Reagan has announced that he intends to accelerate the already planned phased decontrol of gas prices so that by 1985 all controls will have been removed. But with one eye on next November's mid-term congressional elections the President is moving ahead slowly.

The need for a change is illustrated by the fact that under existing controls some gas from old producing wells is being sold for tens of cents per million Btu—the equivalent of around $2 a barrel of oil in certain instances.

This is thought to be below even the price now being charged by Saudi Arabia for natural gas collected and used within the kingdom. Rates of between 50 cents and $1 a million Btu have been mentioned by analysts.

Not that the Saudis appear contrite. Without apologies, cheap natural gas and ethane are being used to boost the Kingdom's emerging chemicals and manufacturing industries.

Mr Abdul Aziz Al Zamil, vice-chairman and managing director of the state-owned Saudi Basic Industries Corporation (Sabic), which is involved in the big industrial projects, told me last month: "Canada has huge volumes of water which is used to generate electricity for its aluminium industry. If Canada had to pay the same price for water that we have to pay they would never have built those projects."

At least Saudi Arabia has embarked on a major programme to collect and utilise the natural gas which is produced in association with oil. It is one of the major scandals of the world energy industry that so much gas has been flared and wasted; treated as an annoying impediment to the production of crude oil.

It is still a disturbing fact that within members of the Organisation of Petroleum Exporting Countries more gas is flared than is used for domestic energy needs or exports. Worldwide it is estimated that the equivalent of 3m barrels a day of oil is wasted in this way — almost as much as the total amount of gas traded internationally.

Perhaps belatedly, both producers and consumers have come to recognise the value of natural gas — a uniquely clean and flexible fuel with a high energy content. Its worth is reflected in pricing movements and the steps now being taken—in Saudi Arabia and the North Sea for instance — to restrict flaring and wastefulness.

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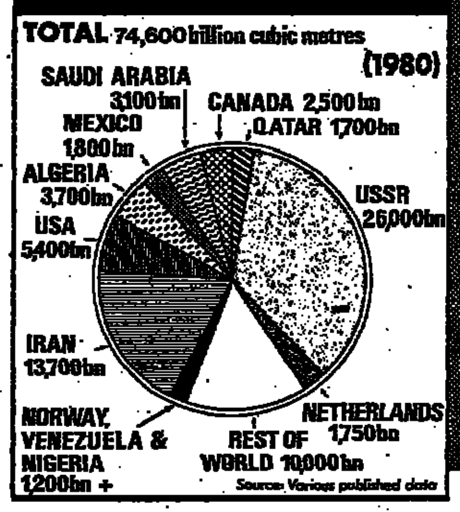
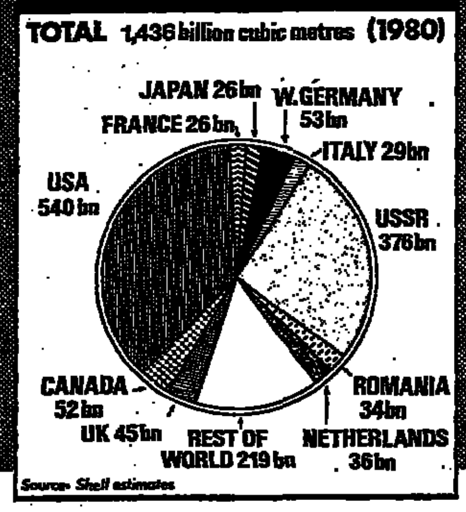
Editorial production by Catherine Darby

RESERVES



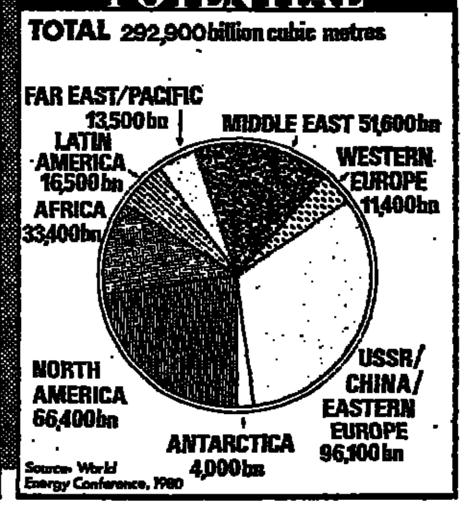
Source: Various published data

CONSUMPTION



Source: Shell estimates

RESOURCES POTENTIAL



Source: World Energy Conference, 1980

ABBREVIATIONS & MEASUREMENTS

LNG—liquefied natural gas.
LPG—liquefied petroleum gas (usually propane or butane).
SNG—substitute (or synthetic) natural gas made from coal or oil.
NGL—natural gas liquids—includes LPG (propane/butane), ethane, pentanes, pentanes-plus, natural gasoline and condensate.
1 cubic metre= 35.3 cubic feet
1 cubic ft= 0.028 cubic metres
1 Therm= 100,000 Btu (British Thermal Unit)
100 cubit feet of natural gas
2.83 cubic metres of natural gas
Note: 1m tonnes of oil equals approx.: 1.167bn cubic metres or 41.2bn cubic feet or 113m cubic feet a day for a year, of natural gas

High expectations of a growth in gas ships have faltered in the wake of external problems

A drop in orders for ships of the future

GAS SHIPS, so many Western shippers and shipbuilders are fond of saying, are the ships of the future for the developed countries. They cost a fortune to build, need the utmost in technology, and are likely to be increasingly in demand as world energy requirements expand.

So far, however, matters have not worked out all that favourably. Frustrations and disappointments have abounded in the liquefied natural gas (LNG) market. Now over 15 years old, world LNG trade is suffering from acute political, pricing, and demand problems.

Last year was the first since LNG trading began that international volume actually showed a decline. Mr Edward Faridany, managing director of Ocean Phoenix Gas Transport BV of Holland, said recently: "This check on the expansion of world LNG trading—involving supplies to western Europe and particularly the U.S. — should not be allowed to obscure the very real progress which has been made in the LNG business since the mid-1960s."

Long-term prospects, with Japan well to the fore in potential future demand, appear highly favourable. But the current situation is bedevilled by the price issue, as leading producers like Algeria have sought to put LNG prices on a par with those of crude oil. Not surprisingly, consumer countries have resisted this, the result being the suspension or cancellation of several projects in 1980.

In the first half of this year, only one new LNG carrier was delivered, the 130,000 cu m Tenaga Empat. But she went straight into lay-up at Stavanger, joining a sister ship, to wait until shipments could start from Malaysia to Japan in 1983 when the liquefaction plant should be ready. Three similar ships were being built in France and no new orders were recorded.

Setting out these figures in its World Tanker Fleet Review, the broking company of John I. Jacobs, commented sombrely: "The number of LNG carriers currently laid up is a matter of considerable concern." It showed a tally of 15 vessels idle at the middle of the year with a total capacity of 1.63m cu m. Most of these were large ships, in the 120-130,000 cu m range.

Six belonged to the El Paso fleet, now totally unemployed and up for sale after being withdrawn from the Algeria-U.S. trade because of failure to reach price agreement despite lengthy talks. El Paso also cancelled three ships being built at the Avondale yards after structural failures in the tank insulation.

Algeria had cut its asking price at U.S. insistence to $4.35 per million cubic feet, but this was still 70 cents above the U.S. offer and freight costs would have added a good deal more. Jacobs said another major stumbling block was the price escalation clause linked to the premium crude Sahara Blend.

After the cancellation of the El Paso project, there are now 12 world projects, noted Mr Faridany, with liquefaction and regasification plants distributed between this same number of producer and consumer countries. Japan accounts for three-quarters of worldwide imports, with Western Europe making up most of the rest. Only one project, also Algerian, involves the U.S. in Boston.

LNG movements are responsible for only about 5 per cent of world gas consumption, but represent a quarter of the non-Communist world's international gas movements. The volume of LNG traded in 1980 was around 3bn cu ft per day (cfd) compared with an originally contracted volume of over 4bn. Mr Faridany estimated total trade could reach 6.7bn cfd in 1985, with Japan accounting for 4.1bn, Western Europe for 2bn and the U.S. for the rest.

All of the increased Japanese supply, apart from small amounts from Alaska and the Gulf, is expected to come from the Pacific basin—about half of it from Indonesia. Later this decade, supplies could be imported from Australia's North-West Shelf, with possible sources also opening up in Qatar, British Columbia in Canada, and the Sakhalin Islands, situated north of Japan and owned by the Soviet Union.

Beyond that, in the 1990s, Mr Faridany reckoned there could be further LNG supplies from the Gulf and also in the Pacific area (the Gulf of Thailand, the South China Sea, and more from Canada). But Taiwan and South Korea should become increasingly important, though smaller, markets in the Far East alongside the Japanese.

Up to 75 per cent of the LNG being imported into Japan by 1985 is likely to be used for power generation, nearly a quarter for urban gas distribution, and 2 per cent for steel-making, according to the country's Institute of Energy Economics. Unlike Western Europe and the U.S., prices of LNG in Japan are on a par with crude oil. This is also likely to apply, to the energy-deficient Taiwanese and South Korean markets.

In Europe, domestic production of natural gas is expected to show a marginal decline in coming years as demand edges up. It is likely to account for 70 per cent of total needs by the end of this decade, against 85 per cent at the moment. North Africa now accounts for half of the contracted LNG imports into Western Europe, the rest represented by pipeline supply from the Soviet Union.

By the mid 1980s, the import figure should lie between 5bn and 6bn cfd against the present 2bn, with most of the extra being accounted for by piped LNG from Algeria. At the moment, there are seven import schemes into Europe from Algeria and Libya, but a number are not running at contract volumes or are suspended. Italy, for example, turned down Libyan demands for a sharp rise in price and deliveries were suspended in the summer of 1980.

The many imponderables and high financial risk attached to LNG shipping make the future order picture look erratic. The number of LNG vessels now in service is 57 totalling 5.38m cubic metres, the bulk of them over 125,000 cubic metres. A further 14 ships (overall capacity 1.74m cubic metres) is on order, half due to be delivered this year, including slippage from previous years.

Next year, one large LNG ship is due for delivery, with five in 1983 and only one in 1984. Ordering a big LNG carrier is no small matter, since they cost around $200m; for an Arctic-type ship, the figure can be nearer $400m.

Apart from the cost, safety considerations are also paramount and will become even more so if and when the world LNG fleet is more fully used. The safety record of LNG ships is good to date but research into control of potential hazards—the use of gelants to improve safety is one example—continues all the time.

Andrew Fisher
Shipping Correspondent

SUMMARY OF STRUCTURE OF THE NATURAL GAS INDUSTRIES IN MAJOR EUROPEAN COUNTRIES

Major distributors (country)	Ownership	Monopoly	Government control	Distribution infrastructure	LNG facilities	Storage	Import pipelines	Projects on hand
British Gas (UK)	Government	Yes, but possibly lessened	Strong	Well developed	One existing at Canvey Island	Some, but being rapidly expanded	One: from Norwegian sector of Frigg	Conversion of Rough Field for storage; development of Morecambe gas field and a number of oil fields; fourth distribution feeder line; SNG and LPG/air projects
Distrigaz (Belgium)	50 per cent government/ 50 per cent utilities and Shell	Import and distribution	Strong through ownership and Comité de Controle	Well developed	One under construction at Zeebrugge	None (flexible import contract with Gasunie)	Two; from Neths	LNG plant at Zeebrugge
Enagas (Spain)	Government	No, but effective monopoly	Strong	Small, but under development	One existing at Barcelona	Little	None	Barcelona—Basque Region pipeline and possible spurs to Cartagena, Burgos and Madrid; Segamo pipeline to import Algerian gas
Gasunie (Netherlands)	50 per cent government/ 25 per cent each Exxon and Shell	Import and distribution	Strong through ownership and liaison. Political activity for greater control	Very extensive	One planned at Eemshaven	None: no need since Groningen output very flexible	None	LNG plant and coal gasification plant at Eemshaven (LNG project shelved)
Gas de France (France)	Government	Import	Very strong, through ownership of GdF	Fairly well developed	Three existing at Le Havre, St Nazaire and Fos-sur-Mer	Extensive, but GdF wants more	Three; from Emden, Groningen and the USSR (MEGAL)	Additional LNG facilities at Fos-sur-Mer
Ruhrgas (W. Germany)	Major companies and utilities	No	None	Well developed; some construction still in south	One planned at Wilhemshaven	Little	Five; two from Neths, two from the USSR and one from Ekofisk	LNG plant at Wilhemshaven (shelved)
Snam (Italy)	Government (ENI)	No; but 97 per cent market share	Government ownership of ENI	Developed in north; Government-sponsored scheme in south	One existing at La Spezia	Fairly good	Three; TENP from Neths, TAG from USSR and TransMed via Tunisia/Sicily	Distribution network in south, possibly fourth line from Algeria across from Tunisia and/or additional compressors in TransMed line

Source: Morgan Guaranty Trust Company of New York.

The growing demand for gas has underscored the importance of the latest offshore finds in the face of diminishing onshore supplies

The exciting prospects of deeper waters

A DECISION seems imminent on the development of one of the world's most exciting gas finds in recent years: Qatar's huge Northwest Dome field.

The Qatari Government, which has been examining plans submitted by several major international companies for the development of the find as a major new source of liquefied natural gas (LNG), now says it expects to award contracts by the middle of next year. Development work would begin in 18 months' time and the field would come into production by 1988.

The project typifies the ever-increasing importance of offshore gas finds around the world as demand for gas grows and onshore supplies diminish. Other notable areas of offshore activity include the North Sea, Australia and the U.S. gulf coast.

Northwest Dome has been known about since the early 1970s but its true importance has only become apparent in recent years. Reserves are estimated at anywhere between 2.12 trillion (million million) cu m and 8.5 trillion (million million) cu m making it at least double the size of the huge Groningen field, in Holland, the discovery of which in 1959 set off the hunt for hydrocarbons in the North Sea.

The cost of developing Northwest Dome has been put by the Qataris at US$ 6bn, but others have suggested figures as high as $20bn.

The first stage of the development will be under state ownership and will involve the construction of offshore platforms and the laying of pipelines to Ras Laffan, in the North of Qatar. The second stage will involve the construction of an LNG plant, in which the Qataris will have an 80 per cent stake and foreign interests the remainder.

Foreign companies bidding for a stake include British Petroleum, Shell, Wintershall of West Germany, Total of France and a Japanese consortium. Japan is the likeliest market for the gas, both because of its energy needs and the relative ease of transport. Production from the field could reach almost 56m cu metres a day.

Norway provides some of the most exciting prospects of the more recent offshore gas discoveries. In particular, strong attention is currently being focused on block 31/2, some 80 miles north-west of Bergen, where Shell is the operator.

Although the find has yet to be fully appraised, it is estimated that this block and three neighbouring ones, which have yet to be allocated, could contain about 1.2 trillion cu metres of gas—about the same size as Groningen and six times as large as the Anglo-Norwegian Frigg field.

Exploratory

In the far north, where Norway has this year carried out its first exploratory drilling inside the Arctic Circle, Statoil, the state oil company, may have found a field to rival Frigg, or something even bigger.

Whatever the ultimate size of these finds, however, there seems little chance of them being developed much before the end of the century. The Norwegians, who are to build a £2bn gas-gathering pipeline network to collect gas from their developed North Sea fields, are in no hurry to rush ahead with others. Fears that very high production will prove a disruptive social influence have led the Norwegian parliament to impose an oil and gas production ceiling.

The development of the North West Shelf project off Australia calls for the installation of one of the world's biggest offshore production platforms. By 1984 it should be supplying gas to Western Australia. Plans are for a second platform to be installed two years later, lifting production to the level needed to sustain an LNG export industry, and a third platform will be built in the early 1990s.

Movement of the gas industry, first offshore, and then into deeper and more hostile waters, has meant new technological challenges, and the North Sea is at the forefront of these developments.

In the Frigg field, for example, a satellite gas accumulation, known as North East Frigg, will have the first major underwater gas production system in the North Sea when it comes onstream in 1984.

Instead of having a surface production platform, the system will consist of a series of wellheads on the sea bottom, with an articulated column acting as a local control centre.

Elf, the operator for Frigg, gives three reasons for the move: cost, safety and the chance to prove a subsea production system of this type, suited for the development of marginal or deep water fields. North Sea oilfields are also introducing subsea production systems.

In the UK sector of the North Sea, British Gas is involved in two particularly innovative developments: at the Morecambe field, off Lancashire, and the Rough field, off East Anglia.

Morecambe is being developed as a seasonal field, designed primarily to help meet peak winter demand. One problem facing the Corporation is that the gas reservoir lies at relatively shallow depth, which means traditional drilling methods only allow gas to be drained from a relatively small area.

To overcome the difficulty, British Gas is to use an unusual technique known as slant drilling. This enables a well to drain about three times more than the area possible under normal techniques. This is achieved by canting the drilling derrick at an angle of 30 degrees and drilling through prepared slots at this angle.

This technique will allow the field to be developed with a minimum number of fixed platforms—at least six to eight are planned—and will enable each platform to be smaller, less expensive and quicker to construct than conventional ones. By the mid 1980s Morecambe should be delivering 340m cu metres a day into the national network.

In the Rough field, some £350m is being spent over the next four years to convert this partially depleted accumulation into a vast storage area. The idea is to inject gas into the field during the summer months, when demand is low, and take it out again during the winter peak period.

This will involve building a new complex of drilling and production platforms and the construction of a 36 in pipeline to the shore, doubling the field's current carrying capability. The aim is to start injecting the gas in 1984, allowing peak production of 280m cu metres a day by the winter of 1985.

Adding a note of science fiction, a U.S. company has drawn up plans to carry LNG from the Arctic, where large new finds are being made, to Europe by nuclear-powered submarine tankers. The submarines would travel beneath the polar ice cap, guaranteeing year-round supplies regardless of weather conditions.

The company behind this is General Dynamics, which builds both the Trident nuclear submarine and conventional gas tankers. It is trying to interest West Germany in the scheme, which was unveiled in New York last month.

Martin Dickson

WORLD GAS DEMAND GROWTH
(% per year)

	1965-73	1973-79	1979-2000
U.S.	4.4	(1.8)	(0.9)
Europe	27.8	7.3	2.4
Japan	16.2	31.1	5.6
Other	9.9	8.5	6.0
CPE	8.8	8.9	3.9
Total	7.3	3.6	2.7

Source: Exxon.

Attempts to raise prices meet strong resistance

THE BATTLE to push international gas prices to the same level as crude prices has been running for some two years—ever since the last world oil crisis. But gas producers leading the fight for price parity with crude oil have had little success so far—even though gas prices in many parts of the developed world have risen during the past 12 months.

Some observers believe attempts to put gas prices on a par with crude will ultimately fail and they have a whole raft of arguments to support their case. Others reckon producers aiming for crude oil parity are making progress, albeit inch by inch. They note that there is little sign of countries like Algeria giving up their demands for gas prices on a level with those of oil and add that in Japan price parity with crude has already been achieved.

At present crude oil parity means a gas price of roughly $7 per million British thermal units or around 35p per therm. This is the delivered price which takes account of the cost of carrying the gas by ship or by pipeline from the wellhead to the country buying it. But local distribution costs then have to be added on and so does a profit margin for the local distributor before arriving at the final price charged to a manufacturing company, a householder, or a commercial enterprise.

It has already become clear that gas producers are only going to achieve the magic 35p a therm—at current prices—with difficulty. There are perhaps four main reasons why industry experts think crude price parity will not be achieved on a general international basis during the coming decade although there will be a few, special and isolated exceptions. They point out that:

● Gas does not compete directly with crude but only with two or three of the cheaper products that are made from oil. It competes in the marketplace against gas oil, which is used to make heating oil, and against fuel oil which is used in boilers to raise the steam needed to turn machinery in factories. Gas does not compete against the more expensive oil products such as petrol. It is noteworthy that only the higher priced, lighter oil products are expected to show reasonable market growth and refiners are now modifying their plants accordingly.

● Gas is more expensive to transport than crude because it has to be carried either under pressure or at low temperatures. It is 14 times bulkier than crude in terms of the energy it provides per unit. Shipping it around the world is therefore a comparatively costly, energy intensive process. Pipelines are capital intensive—and although the number of major international gas pipelines is increasing, this has only happened comparatively recently. In the not so distant days when oil was very cheap and much gas was flared, few countries were interested in huge gas gathering projects.

● Fears about another world oil crisis with an accompanying leap in crude prices have stiffened customer resistance to directly linking gas prices to those of oil. On the other side of the coin, it is thought gas could start to compete with electricity in the home and with coal in the industrial sector if oil and oil product prices started spiralling again. Producers would find it hard, if not impossible to maintain crude price parity—even if they had largely achieved it—in the event of another oil crisis.

● The steep increases in price that would result from putting gas charges on a par with those for oil could lead to lower sales volumes. Producers might therefore achieve crude parity pricing and then derive little benefit from it.

Demands for crude parity pricing have been led by gas exporters—yet only a comparatively tiny proportion is traded across international boundaries. The amount is estimated at 13 per cent of all gas used and this figure includes short hop exports like those from Canada to the U.S. The proportion of gas traded internationally is bound to go up as high prices make exporting more worthwhile. But although gas prices are higher, few exporters have managed to achieve crude price parity.

Algeria has, perhaps, tried hardest to secure crude oil parity pricing. But the British Gas Corporation is unwilling to pay the price the Algerians want and has stopped taking gas from them—at least for the moment. Meanwhile the U.S. El Paso gas company has withdrawn from negotiations with Algeria because it felt the price being asked was too high.

Algeria is currently locked in government-level negotiations over gas prices with France. Observers believe Algeria will fail to secure crude oil parity prices from the French. But the outcome of the discussions is far from certain. If Algeria does obtain the price she wants, the deal will have far reaching implications for prices in other parts of the world.

Italy could be the first to be affected. A gas line from Algeria to Tunisia and then on to Italy has been built. But gas price negotiations between Italy and Algeria will be heavily influenced by the outcome of the discussions between Algeria and France.

Meanwhile a European consortium has just signed an agreement with Nigeria on gas exports. But the gas price that has been agreed is only a provisional one—and the Nigerians are thought to have said they will look again at the price once other deals, including that between France and Algeria, have been finalised.

Cheaper

The Nigerians' provisional price is believed to be linked partly to oil product prices, notably fuel oil, and not to crude oil. The Nigerian provisional price is said to be lower than the charges the Russians are going to make for the gas coming through their massive pipeline that will carry gas from Siberia to Western Europe. Some 80 per cent of the Russian gas price is thought to be linked to cheaper oil products — gas oil and fuel oil — and not to crude. Estimates put the European price for Russian gas at between $4.50 and $5 per m BTU's.

Although the international gas trade is set to increase, the difficulties of transporting gas—as opposed to crude oil—are expected to encourage some major producers to use as much of their gas as they can locally and to export crude. Saudi Arabia, for example, has just completed a giant gas gathering system and the kingdom is currently building a number of petrochemicals projects that will use ethane gas as a raw material. Experts reckon the Saudi natural gas price to be between 50 cents and $1 per m BTUs, the equivalent of between 2.5p and 5p a therm. But they stress that this estimate is for the domestic and not the export price.

But 5p a therm, let alone 2.5p a therm, is a marked contrast to the average price of 29.3p a therm being paid by UK manufacturers for firm supplies. UK manufacturers taking gas for the first time have to pay an average of 40p a therm—although this high price is only maintained for the first year of a contract.

Even UK customers on interruptible contracts, where the price is lower in return for them accepting the risk of having their supplies cut off for up to a specific number of days a year, are currently paying an average of 25.5p a therm.

The comparatively high price of gas in the UK led to an outcry from UK manufacturers, who claimed they were having to pay more for gas than their competitors in the rest of Europe and in the U.S. The loud protests from industry and commerce led the British Gas Corporation, which still enjoys monopoly rights over UK gas purchases although it is soon to lose them, to freeze gas price increases. The freeze on price rises in the UK, plus the often sharp increases in industrial gas prices on the Continent, have now brought UK charges more closely into line with those in other developed countries.

But the British Gas Corporation still admits that UK industrial gas prices in the past three months of 1981 are up to 10 per cent higher than those on the Continent. Nonetheless, the Corporation points out that its industrial prices were up to 18 per cent higher in July this year, so substantial inroads have been made into the differentials.

British Gas has been under pressure from North Sea oil and gas producers over the prices it pays them for gas. The Corporation is still paying prices estimated to be as low as 5p to 6p a therm for some of the North Sea gas it buys on old, long-term contracts. It pays the producers much higher prices on more recently agreed contracts — 15p a therm and over. But it is thought BGC this year has been paying producers an average price — at the beach — of around 10p a therm, or perhaps slightly more.

In the summer a number of North Sea producers started calling for a gas price of "at least" 25p a therm at the wellhead.

Pressure

Such a wellhead price would mean substantial increases in the gas prices charged to end consumers in manufacturing industry. Yet some of their competitors on the Continent have had to face steep price increases in the last year.

National Utility Service, a consultancy, claims that industrial and commercial gas consumers taking between 100,000 therms and 1m therms a year have seen average prices rise by 89 per cent to 38.8p a therm in the last year. Those in France have faced increases of 50 per cent, taking average prices to 34p a therm while manufacturers in the U.S. have had increases of only 8 per cent taking average prices in some major cities to 21.7p a therm.

Some experts in the gas industry might dispute the NUS figures—finding average gas prices acceptable to all those engaged in the argument over UK industrial gas prices provided a major problem. But nearly everyone accepts that prices are lower in the U.S. than in Europe—largely because the American Government is still controlling the price. But there are plans to deregulate U.S. gas prices and American consumers can therefore also expect increases in their gas prices.

Meanwhile the Japanese are ploughing a lonely furrow with crude oil parity pricing. But there are various special factors in the case of Japan:

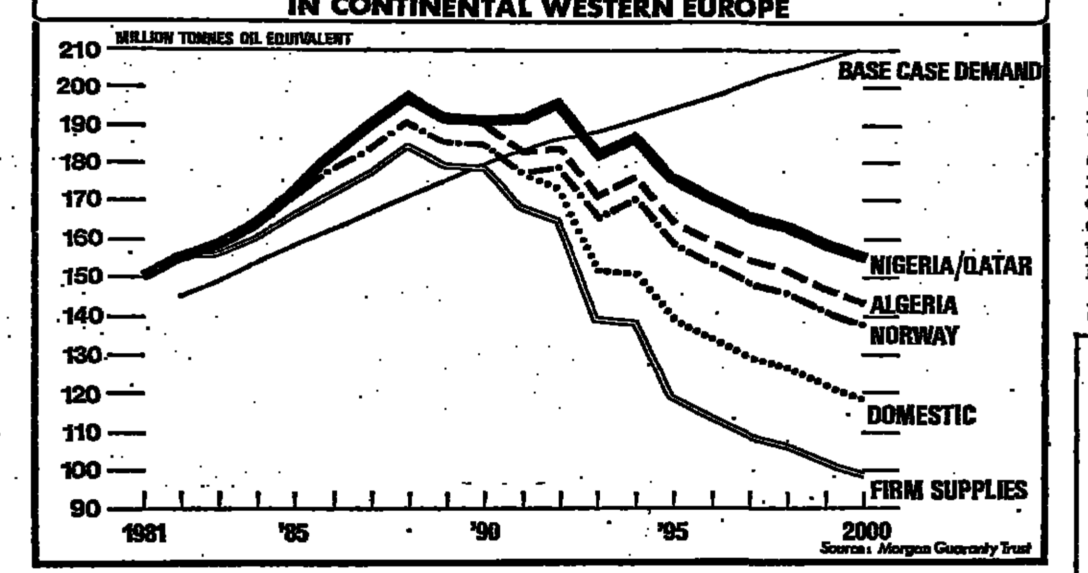
● Japan has to import all her gas because she has none of her own. Gas is imported from a number of countries including Indonesia and Abu Dhabi.

● Japan has very tight environmental laws which sometimes make it necessary for gas to be used instead of oil, which can be more of a pollutant. The situation in Japan has encouraged those producers who want gas prices to be put on a par with those of crude oil—but it has not yet enabled them to achieve their aim in either Europe or the U.S. Some producers will doubtless continue the fight.

Yet some industry experts believe the outlook in Western Europe at least, is for more moderate rises in gas prices. They say that many of the anomalies in gas pricing—UK industrial prices being higher than in most other Continental countries, the Dutch realising they were selling their gas for comparatively low prices, for example—have been ironed out. They are therefore predicting greater price stability in the gas markets in future.

Sue Cameron
Chemicals Correspondent

POSSIBLE SUPPLIES OF NATURAL GAS
IN CONTINENTAL WESTERN EUROPE



Controversial plans in the world pipeline

IT IS the biggest East-West trade deal ever. It is also one of the most politically controversial. A 3,600-mile pipeline system, costing some $15bn to build, is to supply Western Europe with nearly 114m cu m a day of natural gas from Western Siberia, starting in 1984-85.

After more than 18 months of tortuous negotiation, the key element of this deal fell into place last month when West Germany, the biggest customer for the gas, signed a supply arrangement with the Soviet Union.

The scheme has been strongly opposed by the Reagan administration in the U.S., which argues that it will make Western Europe too dependent on the Soviet Union for its energy supplies.

Iceberg

The Soviet project is one of the most dramatic pipeline schemes currently under development but it represents no more than the tip of a very big iceberg.

A survey earlier this year by Oil and Gas Journal, hte U.S. magazine, estimated that there were plans to build some 36,000 miles of gas pipeline around the world in 1981 and beyond, compared to just 7,400 miles of oil product lines.

Many of these lines will be relatively short ones, carrying supplies within countries from one region to another. Among headline-making projects, however, are the now completed Trans-Mediterranean line from Algeria to Italy, the trans-Alaska pipeline which has been long mooted in the U.S., and gas-gathering network being built by Norway in the North Sea. The Norwegian project is discussed in another article in this survey, but the status of the other lines are as follows:

● The Soviet pipeline will run from the Urengoj gasfield in north-western Siberia to transfer stations on the West German/Czech and Austrian/Czech borders. It will be pumped from there to consumers in seven Western countries: West Germany, France, Italy, Holland, Belgium, Austria and Switzerland.

The line will form part of the Soviet Union's integrated gas network, so that if necessary gas for Western Europe can be pumped from any field linked to the Soviet system.

Moscow is also planning a great expansion of its domestic network to meet increased demand. It is aiming to increase its main gas pipeline network from 82,000 miles in 1980 to 105,000 miles by 1985.

The new pipeline to the West (the Soviet Union already supplies Europe with 65m cu metres a day through an existing network) will be built largely with equipment and piping supplied by consumer countries.

West Germany will take many of the hardware orders. Mannesmann will be providing some of the steel piping and the German company is also in a consortium with Creusot Loire of France to provide 22 compressor stations.

The West Germans are believed to have agreed a base price for the gas of around $4.60-$4.80 per million Btu, as of July 1, with escalation indexed at 20 per cent to crude oil and 80 per cent to gas oil and fuel oil.

● The $3bn trans-Mediterranean pipeline is now ready to carry gas but start-up is being delayed by a pricing dispute between the Algerians and the Italians.

Algeria, which is trying to raise the price of its gas exports towards parity with crude oil, has demanded the renegotiation of the price formula it agreed with the Italians in 1977. It aims to link the gas price strictly to a basket of crudes.

The Algerians are also embroiled in a long-running battle with the French over the price of liquefied natural gas (LNG) exports but there have been hints recently of a possible reapprochement. If so, an Algerian-French deal could have major repercussions on the Italian deadlock.

The *Algerian pipeline* stretches from the eastern Algerian gasfield of Hassi R'Mel to Northern Italy, by way of Tunisia and Sicily. It is sunk in water depths of up to 2,000 ft and will initially carry about 34m cubic metres aday.

Sunk

● The Alaskan pipeline crossed an important hurdle last week when the U.S. Congress gave its approval to a set of legal waivers designed to improve the scheme's financing prospects.

Plans for the 4,800-mile line, to bring gas from the Alaskan North slope through Canada to the lower 48 U.S. states, were first approved by President Carter in 1977, but since then progress has been slow, in large measure because construction costs have soared and finance has been difficult to raise.

The new waivers are designed to attract back the bankers. One measure, which has raised considerable controversy, would allow debt charges on money borrowed to be passed on to the consumer in the form of higher prices before gas had begun to flow from Alaska.

A second waiver allows the three main Alaskan producers—Exxon, Standard Oil of Ohio, and Atlantic Richfield—to take an equity interest in the project, a position not allowed by the Carter administration.

Even with the Congressional approval, it will be no simple task to fund the project, which is likely to cost at least $40bn-$50bn.

The Canadian Government, for its part, gave approval last year for the "pre-building" of a section of line which will, for the moment, carry gas from the fields of Alberta to Calgary—the oil capital of the province—and thence in two directions—a western leg to San Francisco and an eastern one to Chicago. Gas began flowing through the first stage of the Western leg in October, while the U.S. portion of the eastern leg is about half completed.

M.D.

INTERNATIONAL GAS INDUSTRY IV

Looking to future sources after the decline of Britain's natural gas reserves

Coal to provide substitute gas

Ultimately, Britain's natural gas reserves must decline. British Gas believes that it will not happen suddenly but over a long period, giving the corporation plenty of opportunity of gradually replacing dwindling reserves with new purpose-built plants manufacturing substitute natural gas (SNG).

The feedstock for SNG will be be whatever fossil fuel happens to be economic at a particular time. For example, the signs are that oil residuals and perhaps heavy crude will be an economic feedstock a few years earlier than coal in the UK. To meet this situation a family of SNG processes is being developed to accommodate any promising feedstock.

The catalytic rich gas process can produce methane from distillate oils — including keroaine and gas oil—and the gas can be purged of sulphur by reacting the feedstock with steam over a catalyst. It is already used widely under licence overseas, particularly in the U.S. and Japan, for "peak-lopping." British Gas plans to build a development and demonstration plant at its new Killingholme Development Centre, to demonstrate its latest process technology using a wide range of feedstocks, including coal liquids.

For residuals and heavy crude, a fluidised-bed process has reached an advanced stage of development, Sir Denis Rooke told the Parliamentary and Scientific Committee last month. "Hydrogenation processes using fluidised-bed reactors are ultimately likely to be the basis of the improved SNG plants of the next century."

The process being developed in a £4m programme by the Midlands Research Station of British Gas uses fine particles of coke for the bed, and hydrogen as the fluidising gas. Because surplus carbon is deposited upon the coke particles, these must be continuously removed from the reactor and replaced with fresh coke.

The researchers have been working with a 10-inch diameter fluid-bed reactor, 45 ft in length, forming effectively a small segment of a full-scale bed. Recently they have completed a new test rig in the form of a large model reactor, designed to study the complex dynamics of the constantly renewed bed. This model, 4.5 ft in diameter operates with nitrogen gas at 350 bar (atmospheres pressure).

Dr John Gray, director of research, believes British Gas has another two to three years' work on these two test rigs before the corporation will be ready to build a demonstration plant, probably at Killingholme. Meanwhile, the £4m programme is being further funded partly by the EEC (40 per cent) and by Osaka Gas.

Lurgi

In the long term, however, coal is likely to become the feedstock for SNG in Britain. The technology of greatest promise, according to British Gas, is the slagging gasifier developed from Lurgi technology, chiefly at its Westfield Development Centre. Sir Denis Rooke recently described it as "the best process currently available in the world for the manufacture of SNG from coal."

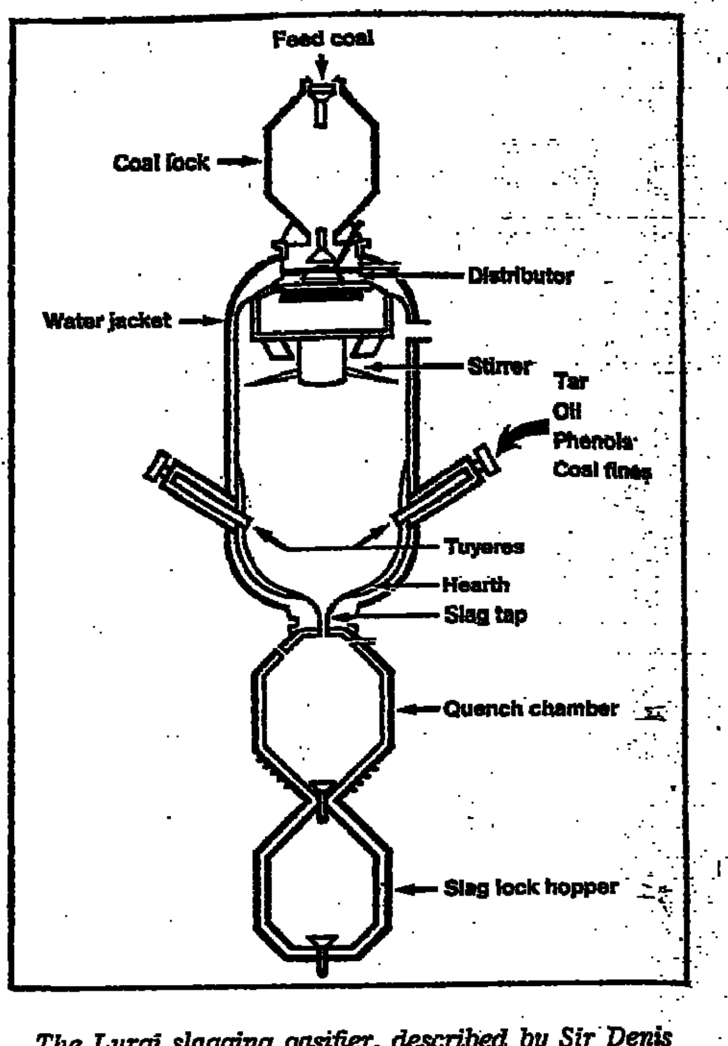
Since the summer Westfield has been preparing for a "long demonstration run" on its refurbished 6 ft slagging gasifier. The aim is to sustain a continuous run of at least two months on a gasifier burning 300 tonnes of coal a day. For comparison, the "long proving run" on the previous gasifier was 23 days.

Again, the programme—£14m this time—has been funded 40 per cent by the EEC, and also by Lurgi. A new phase of the programme, in which another of Westfield's four original Lurgi gasifiers will be refurbished and enlarged, is planned to provide a slagging gasifier that consumes 500 tonnes of coal daily. British Gas hopes to have it on-line by the end of 1983.

Another ambitious project has been "very much modified" this year, however, according to Dr Gray. This was the composite gasifier, a complex reactor designed to incorporate both fixed-bed and entrained-bed gasifiers in a single unit.

This idea has been abandoned, in the belief that the slagging gasifier can handle a higher proportion of coal fines than was previously thought possible. Thus, the slagger may well be able to cope with run-of-mine coal from highly mechanised pits of the future. The latest idea is to feed the fines partly into the top of the gasifier and partly with the oxygen at the tuyeres.

The current programme at Westfield is designed to test these ideas. They are planning a 3 ft diameter gasifier, fully instrumental, burning 100 tonnes of coal a day. This is called the experimental coal gasification plant. Associated with it will be gas clean-up and methanation technology, to demonstrate that such a gasifier can produce a feedstock for the chemical and petrochemical industries from run-of-mine coal.



The Lurgi slagging gasifier, described by Sir Denis Rooke as "the best process currently available in the world for the manufacture of SNG from coal."

British Gas has failed to respond to one adventurous proposal for solving its problem of long-term natural gas supplies. This is to seek methane at much deeper levels, 12,000-20,000 ft.

Professor Thomas Gold, a geophysicist of international renown from Connell University, has a theory that methane of non-biological origin is one of the principal deep-earth gases, waiting to be tapped. He contends that his theory could be tested for an investment of £25m, by drilling 10 very deep wells in an area where conventional gas fields are believed to be unlikely—tantamount, for the industry, to deliberately drilling dry wells. So far his proposed experiment has found no backers.

David Fishlock
Science Editor

Once the Cinderella of the energy sector, the many advantages of gas are now coming to be appreciated

Steady growth of premium markets

THE MARKETING of gas has become increasingly sophisticated over the past few years as both buyers and sellers have started to recognise its importance as a premium fuel.

It is not so long ago since gas was sold off to virtually anyone who could find a use for it at extremely low prices. The alternative, after all, was to flare it. The low value—in every sense—that was placed on natural gas made it hard for some public utilities, such as the British Gas Corporation, to establish themselves and their product in the energy market when large supplies first started to become available. BGC, for example, was pleased when, more than a decade ago, it persuaded the UK-based Imperial Chemical Industries to sign a long term contract for what it thought to be about 1bn therms of gas a year. As things have turned out that deal must have been one of the best ICI ever did.

Premium

Today the picture is very different. Not only is gas considerably more expensive but sellers concentrate increasingly on the premium markets. The premium uses for gas are those for which gas is more suited than any other fuel or form of power. Its main advantages over other forms of energy are that it is clean, it gives opportunities for fine temperature control and—once the necessary pipelines have been built—it is easy to transport.

These properties make it particularly suitable for use in the home, both for heating and cooking. Its cleanliness and ease of supply also make it the preferred fuel for certain manufacturing sectors such as the food processing and pottery industries where soot and dirt are not wanted. Other industries such as glass and metal making where fine temperature control is required also provide premium markets for gas. Gas can also be used as a raw material by the petrochemical industry in the making of such things as fertilisers.

Gas can be used to fire the boilers of power stations and factories—but fuel oil or coal will do just as well. There is a growing feeling that to sell gas simply for raising steam or power is wasteful as well as being less profitable. If gas is just burned under boilers it is argued that future generations will be unable to obtain adequate supplies of gas even when they really need it for its particular properties.

The European Commission has a policy of giving priority to premium users of gas. As long ago as 1975 a European Economic Community directive started limiting sales of gas for use in power stations. The results of European determination to earmark gas for premium markets can already be seen—although many would say there is still a long way to go before the balance between premium and non-premium sales is right.

It is estimated that last year about 15 per cent of the total gas used in Common Market countries went to power stations while just over 45 per cent went to the domestic and commercial markets with industry taking the rest. West Germany appears to be a particularly large consumer of gas for non-premium power generation—some experts estimate that as much as 30 per cent of Germany's total gas consumption was in power stations last year. The Netherlands has also been a big consumer of gas for power stations—although power station gas is thought to have accounted for under 20 per cent of the country's total consumption in 1980.

Yet most of the EEC countries, including West Germany, the Netherlands, France and Britain, have already made substantial cuts in the amount of gas they use in their power generation. Further, larger reductions are expected. By the end of the decade it is forecast that only some 20 per cent of West Germany's total gas consumption will be in power stations while the figure for the Netherlands is put at nearer 15 per cent.

Meanwhile the use of gas in the premium domestic markets of Europe has been growing steadily over the past five years. In West Germany domestic gas sales have risen by more than 45 per cent since 1976, while in the Netherlands they have gone up by about 20 per cent, in the UK by over 35 per cent and in France by well over 25 per cent.

A similar general policy of giving priority to premium users in selling gas can be seen in the U.S. although government control of gas prices plus periods of plentiful supply have sometimes meant that it has been pursued less vigorously there than in Europe.

The amount of growth that can be expected in premium gas markets varies from country to country although the biggest potential growth area is usually the domestic sector. Growth in the premium industrial markets is being encouraged by the development of new, more specialised equipment—British Gas is one organisation doing this. There is also expected to be an increase in demand for gas as a chemical feedstock although it is not thought there will be particularly strong growth in chemical demand for methane—the natural gas used in homes and factories.

Ethylene

Demand for ethane gas, which can be used as a raw material for making ethylene, the so-called building block of the petrochemical industry and which goes into the making of a wide range of things from plastics to solvents, is much more likely to grow, certainly in Western Europe. In the U.S. it is already the preferred feedstock for making ethylene although European chemical producers still tend to rely much more heavily on the oil-based naphtha. Now, however, the European chemical industry is looking for a wider variety of raw materials.

The concentration on premium markets for gas has not always met with unqualified support from consumers. In the UK there were howls of fury from manufacturers—including chemical producers—when they found that British Gas was unable or unwilling to sell them gas for burning under boilers. The position was most acute after the last world oil crisis when there were fears about crude supplies and demand for gas suddenly leaped.

More recently arguments over industrial gas in Britain have centred on prices although manufacturers' complaints about their inability to secure new gas supplies have continued. This autumn the two came together when the UK Government announced that it would end BGC's virtual monopoly rights over gas supplies to industry. The Government's stated aim was to introduce more competition into the market place and so encourage producers to develop more of their North Sea gas discoveries. This would ultimately increase gas supplies for UK industry.

S.C.

The UK and Norway have competed to finalise their own plans for gas pipeline networks in the North Sea

Collapse of UK scheme puts Norway ahead

FOR MUCH of the past year the Norwegian and British Governments—together with their respective gas industries—have been involved in an unseemly race.

At stake has been the planning of two of the most ambitious gas-gathering pipeline networks ever attempted at sea. The projects envisaged as follows, will eclipse the gas pipeline projects so far undertaken in the North Sea:

● The Frigg Field system, the network of pipelines in the southern portion of the North Sea, and the Far North Liquids and Associated Gas System (Flags) which will carry the bulk of the UK's gas needs throughout the 1980s and into the 1990s.

● The Greater Ekofisk gas-gathering system which carries natural gas from the Norwegian Ekofisk Field and surrounding reservoirs to Emden, in North Germany.

● Holland's offshore pipelines which transport about 12 per cent of the Netherlands' considerable natural gas production.

With more and more gas being found in the northerly part of the North Sea, much of it associated with oil discoveries, Britain and Norway have decided to build their own individual gas-gathering systems on their own sides of the median line. Inevitably an air of competitiveness has developed.

It is not just a case of national pride. Each side realised that the first country to finalise its arrangements would gain certain advantages, such as the first choice for big pipelaying barges and, maybe, preferential prices for steel pipes and other equipment.

In the event, Norway "won." It had chosen a simpler financing and operational package for its system which, in any case, will involve fewer fields and companies than the proposed UK project. Britain tripped up at the last minute, for all the proposed participants in its scheme failed to reach full agreement over financing and gas pricing arrangements.

Trunk line

The Government had proposed a £2.7bn network, extending some 420 miles from the Magnus Field in the far north to the area around the Lomon Field in the south. An east-west trunk line would have carried all of the collected gases—both wet (the natural gas liquids used for chemicals) and dry (methane)—to a new shore terminal at St Fergus, near Peterhead, Scotland.

All-in-all, the system was designed to collect up to 11 trillion (million million) cubic feet of gas, worth some £25bn at mid-1981 prices, from at least 20 UK fields.

It was proposed that the network should be operated by a new company comprising British Gas Corporation—with a stake of around 30 per cent—gas-producing oil companies, gas-using chemical companies, and financial institutions.

In spite of vigorous lobbying by the organising group (British Gas, Mobil and British Petroleum) the scheme collapsed, partly because no-one was sure how much would be paid for the collected gas (and thus how much would be collected) and partly because the Treasury was worried that the Government would be left funding, or at least underwriting, the project.

So in September, Mr Hamish Gray, Minister of State for Energy, announced that the Government was abandoning the project. Major oil companies, he said, would be left to make their own arrangements for piping their gas ashore. He expressed confidence they would do so "efficiently, in accordance with the nation's needs."

There was an almost immediate response from the oil industry, much of which—for tax and other reasons—had been pressing for an industry project. Within weeks companies let it be known they were planning a series of gathering networks which could involve the installation of about 600 miles of pipelines. They said they were confident that their proposals would eventually land as much gas as the £2.7m integrated network.

The companies added that their systems would be developed more economically because they would be purpose-built in stages, when gas transportation was needed. Extensive use would also be made of existing pipelines.

Consortia of offshore companies have been discussing plans for three basic systems:

● A northerly network, about to be given the formal go-ahead, linked to the existing Flags system. A 57-mile pipeline, costing about £100m will link the three most northerly fields in the North Sea—Magnus, Murchison, and Thistle—with the Flags line. The Flags system, based on Shell/Esso's Brent Field, is due to begin carrying gas to St Fergus in the next three to six months.

● A central network, which could be commissioned in the late 1980s, might transport gas produced in and around Mobil's Beryl Field. It could be extended to collect gas from fields as far apart as Bruce in the north to Lomond in the south—a distance of about 180 miles.

● A southerly network, based on Shell/Esso's Fulmar Field and the cluster of other discoveries in the area. This system is unlikely to be built before the late 1980s or early 1990s, because reserves in the area have yet to be fully appraised.

In addition to these three basic systems, two French companies—Total and Elf—will almost certainly build a link between the North Alwyn Field and their existing Frigg gas trunkline.

Central link

The Frigg Field straddles the UK/Norwegian median line although all the gas is transported to the UK. As a result, Frigg is ideally placed as a central link in any new UK-Norwegian network that may be devised.

Norwegian authorities are said to be considering the long-term possibility of selling to the UK some of its vast unexploited reserves in the Sleipner complex of fields and in Shell's unnamed discovery in Block 31/2 which is fast emerging as the most important find to date in the North Sea.

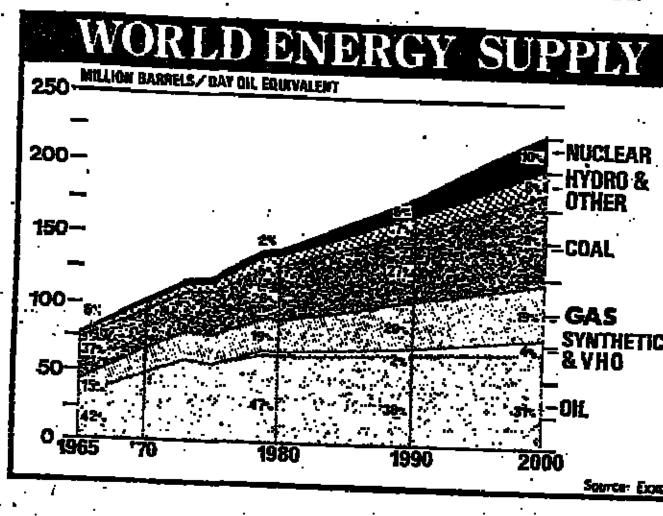
Some 125bn cu m of gas are thought to be recoverable in and around Sleipner. In late October the Norwegian Oil Directorate said it believed Block 31/2 could contain 650bn cu m of recoverable gas, quite apart from the estimated 600m barrels of recoverable oil.

For the time being, however, the Norwegians are selling all their new dry gas production to Continental companies. Unlike the UK, Norway has decided on a fully integrated system — a £2bn network stretching from the Statfjord Field in the north to the Ekofisk complex in the south. Along the way the network will twice cross the notorious "Norwegian Trench" — in essence a submerged canyon. From Ekofisk gas will be carried in the existing line to Emden.

The Norwegian system, scheduled to be completed by 1986, will initially feed about 7bn cu m of gas a year into the Continental distribution network. A new company, Statpipe, has been formed, comprising Statoil, the state oil corporation (60 per cent), Elf (10 per cent), Norsk Hydro (8 per cent), Mobil (7 per cent), Esso (5 per cent), Shell (5 per cent), Total (3 per cent) and Saga (2 per cent).

British Gas, which had been bidding for some of the Norwegian supplies, claimed that the decision to build the Norwegian pipeline had been based on politics rather than economics. The Corporation said that by paying for the gas as delivered in Emden, Continental buyers were placing costs and risks on Statpipe — Statoil in particular. Time will tell whether the risks are real or mere verbal stones hurled in the UK-versus-Norway battle.

R.D.



Shake-up for profitable British Gas

"IT SEEMS that all our chickens are coming home to roost," commented a senior British Gas Corporation official. Certainly British Gas is in a flap.

The Corporation is at the centre of one of the biggest shake-ups in the history of British nationalised industries. The changes now being implemented by the Government are made all the more dramatic by the outspoken opposition of Sir Denis Rooke, its chairman, and by the financial success of the undertaking.

Having made a pre-tax current cost profit of £381m in 1980-81 (around £844m on an historic cost basis), British Gas is far from being a lame duck, as Sir Denis forcefully pointed out.

Immediately following the Queen's Speech on November 4 which detailed the Government's "privatisation" proposals Sir Denis issued a lengthy statement criticising plans for the "piecemeal break-up of an economic structure which has a proven record of success."

That outburst earned Sir Denis what amounted to a rebuke and a public warning from Mr Nigel Lawson, the recently appointed Energy Secretary. Sir Denis was left with the impression that he must either co-operate with the Government, or leave the Corporation.

Pragmatism

Even following the proposed changes British Gas will remain one of the Western world's biggest integrated gas industries, with over 15.5m customers. It will lose some valuable oil assets, some monopoly rights over the acquisition and distribution of natural gas, and a reduced presence in the High Street gas appliances business—and in all of these cases British Gas losses may not emerge as serious as the Corporation might once have feared. Pragmatism and compromise could reform the Government's original proposals.

The plans, as they stand, are these:

● British Gas is to sell off its half share of the important Wytch Farm oil field in Dorset. The recoverable reserves in the field are thought to be at least 100m barrels although Corporation officials believe that eventually more than 200m barrels (perhaps considerably more) will be extracted from the area in and around Wytch Farm. The sale, scheduled for this spring could raise between £125m and £180m for the Government according to stockbroker estimates.

● At a later date, probably in 1983, British Gas will have to sell all or part of its North Sea oil interests. According to stockbrokers Phillips and Drew last month the value of these assets could be a further £455m comprising stakes in the Beryl Field (£109m), the Fulmar Field (£39m), the Hutton discovery (£61m), the West Hutton find (£191m) and the Montrose Field (£55m).

● In order to encourage competition the Government is planning to break both the monopoly and monopsony powers of the Corporation. Except in certain specific circumstances British Gas now buys all the natural gas from the UK sector of the North Sea and it has the sole right to sell that gas to domestic, commercial and industrial customers.

In future, under the Government proposals, North Sea producers will be able to sell their gas direct to industrial and commercial consumers in competition with the Gas Corporation.

● Following criticisms raised in a report of the Monopolies and Mergers Commission earlier this year the Government has announced that it wants British Gas to sell off its 900 gas showrooms. This would represent one of the biggest upheavals in High Street retailing. Most of the outlets are in prime trading positions. In the financial year 1980-81 the Corporation's turnover from sales of appliances totalled £204m.

The showroom proposals illustrate the way in which Government policies appear to be less rigid than initial ministerial statements would seem to have indicated. In July Mrs Sally Oppenheim, Minister for Consumer Affairs, announced that the Government would require the Gas Corporation to stop retailing domestic gas appliances and to dispose of its showrooms over five years. It was said that neither Opposition protests nor threatened strike action by the gas unions would deflect the Government from implementing a decision which, she claimed, would benefit consumers.

But the Government has come to realise that it will take at least a year to introduce regulations on safety issues, such as the training of private-sector gas fitters. So Mr Lawson has urged the Corporation to take advantage of the hiatus to devise its own privatisation package acceptable to the Government and the unions. If the state corporation cannot suggest a scheme, then the Government will proceed with its announced plans.

It is a similar case with the proposed sale of Wytch Farm assets. It has emerged in the past few days that British Gas is seeking ways of remaining as operator of the important oil field, even after the sale of its 50 per cent share.

The Corporation has apparently told the Government that by acting as operating contractor it can continue to build up a geological picture of the surrounding area where it has already been granted exploration and production licences. Furthermore, British Gas has made much of the fact that it found and exploited Wytch Farm and that it has worked closely with local authorities to reduce the environmental impact of the project.

The Energy Department is now considering the Corporation's proposals. It is understood that the Department is also looking at the possibility of British Gas retaining an equity stake in the field.

In the same vein, British Gas may be allowed to retain an equity interest in its offshore oil fields. One of the schemes now being considered is the formation of a new private-sector company encompassing the Corporation's North Sea oil assets. British Gas may retain a holding in this company which, because of similar plans to privatise British National Oil Corporation's offshore interests, would probably not be set up before 1983 anyway. An alternative would be a piecemeal sale of the individual assets.

Monopsony

There must even be doubts about the extent of changes arising from the ending of the Corporation's monopsony and monopoly powers. If oil companies are to be allowed to sell gas directly to factories and commercial premises in the UK they will either have to build their own pipelines (likely to be considered prohibitively expensive, particularly in the light of political uncertainties over how long oil companies would be allowed to trade in this way) or they would have to use the Corporation's existing network.

A common usage of the 141,000 miles of pipelines is a strong possibility. It would enable private companies to bid for business alongside British Gas.

But few in the oil industry or the Gas Corporation underestimate the complications of such a scheme, involving throughput tariffs, contingency arrangements for supply failures by oil companies, supply undertakings to oil company customers when British Gas customers face shortages and the sharing of stretched pipeline facilities at winter periods of peak demand.

Maybe, in the end, only a limited number of oil company deals will be signed, but these may be sufficient to create the more competitive climate in the gas industry the Government is seeking.

R.D.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

How Ellerman switched crews

Arnold Kransdorff examines an unusual way of engineering strategic change

THERE CAN be few more disruptive influences on a company than a major management shake-up. But sometimes it may be necessary for a company's survival—indeed, in an extreme case the shake-up may well become a shake-out.

Such was the experience of Ellerman Lines where, in the past six years, 96 management changes have been undertaken in a company of 100 top managers. Forty people have left, 36 have been recruited from outside and there have been 30 internal promotions—a nightmarish experience for anyone, not least a private, family-owned company with a reputation for conservatism.

In Ellerman's case, the operation was particularly difficult; it had no formal management development to speak of nor, indeed, a well thought-out business strategy to work towards.

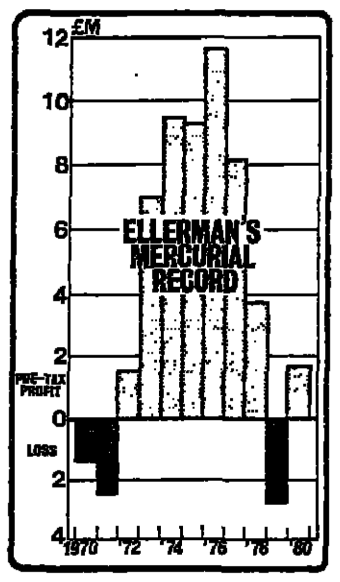
Training courses for managers were unheard of and the only element of forward thinking was a loosely structured policy to make diversified acquisitions because underlying growth in the core shipping business was difficult to come by. To this end the group had bought into the brewery and travel sectors.

In the event, the restructuring of the group was achieved through an unusual route, although its effectiveness has yet to surface on the bottom line. The groups profit record has been highly erratic of late.

The pattern for most companies undergoing structural changes is to plan strategy and then, usually in a reactive way, use existing and bought-in management to administer the new regime. The different managerial functions — finance, marketing and personnel — usually work independently of each other.

Ellerman chose a more interactive route—by linking business strategy with a strategy to develop the management. The bulk of the 96 management changes was only implemented after an exhaustive exercise to match executive abilities with a business plan for the future.

Equally unusual was the informal approach to the exercise through a high-powered "Gang of Four," the members of which had a mandate from



the board to come up with a workable formula. The group become a forum for "verbal wrestling" out of which an ambitious plan emerged.

Today, six years on, Ellerman claims to have both a business strategy and a management development programme on which it now spends £1m a year. This is directed almost exclusively to internal training courses.

Ellerman's decisions were taken against a less than healthy background.

In the mid-1970s the company's top management had an average age of around 54 and with very few exceptions were long-serving products of autocratic and old-fashioned cultures. In one subsidiary, Ellerman Wilson Lines (now in the process of being wound down), there was even a curious inversion—the average age of the main board was 53, the average age of the middle management was 56 while junior management turned in a sprightly 57 years of age.

The company's business was equally shaky. In common with other companies Ellerman was suffering from escalating costs, but more importantly many of its prime routes (established during British colonial rule)—notably the Indian and South African trade were progressively passing out of its hands.

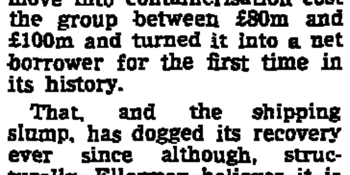
It was also suffering from

Don Young: "We had to renew a management whose skills had become largely obsolete"

uncomfortable competition from Eastern Europe. An expensive move into containerisation cost the group between £80m and £100m and turned it into a net borrower for the first time in its history.

That, and the shipping slump, has dogged its recovery ever since although, structurally, Ellerman believes it is well on the way to being ship-shape.

Ellerman's first hesitant moves in its management shake-



out and business rationalisation was started by the current chairman, Dennis Martin-Jenkins, who came to office in 1967. It took him almost five years to persuade his colleagues—steeped in conservatism and understandably nervous about losing their positions—that radical change was necessary.

Martin-Jenkins admits that change was slow but emphasises that caution was preferable to haste given the company's background. His key moves were to start restructuring the shipping division and diversify out of shipping. A significant step was to divest control of the group's substantial portfolio of investments from Ellerman family trustees to the main board.

Equally significant was his appointment of Peter Laister as managing director in 1976. Laister, who subsequently took up a top position with Thorn EMI in 1979, was ecruited from BOC with a mandate to accelerate and develop the group's management. His successor Jim Stewart, strongly endorsed the programme he inherited.

As one of his first moves Laister hired a management development expert from Plessey, Don Young, as group head of personnel. It was Young, in conjunction with Mick Crews, at that time the new group training and management development manager, who dreamed up the Gang of Four.

Young explains: "The problem was to find a way of regenerating a moribund business and renewing a management whose skills had become largely obsolete. We came round to the notion that there was no point in setting strategic goals without knowing whether we could manage them. As a group we had to decide on which businesses we should be in and make sure we had the management capability to perform.

"The normal management development pattern is for career development to be divorced from the core activity of the business. Our route was to find a way of linking business strategy with management development."

To do this Young had first to find an efficient way of working out a plan. To him, informality was the keynote—"formal meetings tend to inhibit exploration," he says.

In the event the Gang of Four was born—comprising Young, representing personnel, Ian Christians, the group head of development, representing strategic planning, Alan Chamberlain, group financial controller responsible for measuring and monitoring short-term financial and trading performance, and Laister, to co-ordinate as a chairman.

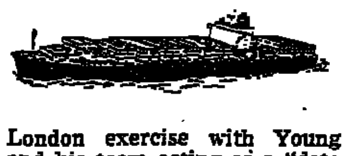
As a group the four met frequently, sometimes up to three times a day to "work through ideas," says Young. "There was a minimal amount of documentation. This actual working relationship was enormously potent in enabling the group to connect together its strategic plans with realistic assessment of what needed to be done.

In the end the problem was tackled on two fronts—by building up separate profiles of the group's existing businesses and top management.

In the former case this meant taking a close look at issues like competitiveness and growth prospects while the latter involved auditing the skills (and weaknesses) of individual managers. This exercise provided the basis later for cross matching "viability with capability."

This process, according to Young, took two years to complete and culminated in a group strategy conference in Tenerife, attended by 20 executives, including the board.

In essence it became an extension of the Gang of Four's



London exercise with Young and his team acting as a "data input and stimulant." The net result was a "blueprint for survival," says Young.

In terms of business strategy the board eventually decided basically to develop the company's existing brewing and travel interests and retreat in shipping. It also set out radically to change management, with "blockages" being removed mainly by early retirement, together with replacement, restructuring and developing and training.

As a result management at Ellerman has been transformed. The chief executives of all the businesses have been changed and the number of graduates has risen from two to 30.

As early as 1978 Young reported to Ellerman's senior management that the company's managers were not capable of doing what had to be done. He is equally sure now that had changes not been made "we would have gone bankrupt."

Today he is more confident. "We haven't got it exactly right yet but it all takes time. We are probably halfway to being really effective."

Unfortunately Young will not be around to see it all happen. He is following Peter Laister to Thorn EMI in the new year as director of management development—a job that will, no doubt, enable him to develop further the Ellerman technique.

A buy-out's birth pangs

Buy-outs may be all the rage on both sides of the Atlantic, but they are often far from trouble-free. Louise Kehoe reports on a problematic plan for the acquisition of the ninth largest U.S. steelmaker by its employees

TO SAVE 3,000 jobs, steelworkers at the Fontana, California, plant of Kaiser Steel aim to buy out the company. The ambitious plan was only proposed last week, but already it has met with rejection from the company's managers.

Still, under the banner of the United Steel Workers of America, the workers intend to continue with their plan to form an employee stock ownership plan (ESOP) which they believe can be used to turn the ailing steel mill business around.

The union wants steel production to continue at the plant where 5,500 members are employed. Kaiser, on the other hand, wants to phase out steel-making operations at Fontana and instead concentrate on processing imported steel. "We know from our studies that a full steel-making facility at Fontana won't work," Stephen Giraud, Kaiser's chairman and chief executive officer, has stated.

Last Thursday, James Will, Kaiser's president, added urgency to the situation by announcing that the company is bringing forward, by about one year, the schedule for shutting down the company's coke oven blast furnaces. The shutdown will now occur in 1983, he announced.

"That would close down half of the mill," complains Frank Anglin, the president of the local branch of the Steel Workers' union.

There is, however, some agreement between the two sides. Both Kaiser and the union are in accord on the rejection of a recent takeover bid by a group of investors headed by California financier, Stanley Hiller, Jr., who also intended to stop steel production at the plant. The $400m offer from Hiller was rejected by Kaiser earlier this month.

Rather than see the company go to outside control, the union members hope to buy either all or at least a controlling share of the company stock.

The plan involved forming a trust — provisionally called Kaiser ESOP—in which all of the employees would be participants. The ESOP trust would obtain loans from a consortium of banks and insurance groups which would be sufficient to buy out the current Kaiser shareholders to obtain all, or at least a controlling share of the company stock. Additional funds might also be obtained to modernise the plant.

Kaiser Steel would enter into a guarantee with the banks, while the trust would give the banks a note in the amount of the loan.

When the ESOP goes into operation the theory is that Kaiser Steel would make payments into the trust—which would in effect be dividend payments. Because they are paid into a trust, these dividends would not be taxable under U.S. law. The trust would use these funds to make repayments to the banks. As the loan is paid off, stock would be distributed among employees. The plan is, of course, dependent upon Kaiser Steel becoming profitable.

Working out the details of the plan on behalf of the union is San Francisco lawyer, Louis O. Kelso, the originator of the concept of employee stock ownership plans and an ardent believer in "social capitalism." Since 1956, when Kelso helped to form the first ESOP—at a California newspaper publishing company—about 450 "true ESOPs" have been put together, he says. "But something over 5,000 minor applications have been made," he adds. These are the employee stock option plans that are common incentive schemes in California's high technology industries.

Control

As Kelso describes the ESOP, stock would be allocated between employees "in the most just way possible—in proportion to their relative incomes within the company. There would be some sort of vesting schedule by which employees who left the company would obtain the right to retain their stock holding after working for a number of years," he explains. Although Kelso acknowledges that the lenders would have a great deal of control over the company at first, he maintains that as stock is gradually transferred to employees, so the steelworkers would gain control.

"There is nothing in the concept of an ESOP that changes the way in which a company operates," says Kelso. "The difference is that you have more intelligent stockholders," he suggests. "The employees don't see stock ownership as an investment device — they are not speculators. For them it is a long term commitment," Kelso adds.

As for the relationship between management and workers, Kelso, who has been instrumental in the formation of ESOPs, comments that managers, as highly paid employees, would hold large stock interests in the company. "They would be highly motivated to make the company succeed, and the stockholders would be able to demand the best. They could ask all the right questions," says Kelso.

Anglin, the union president, who under the proposal would become president of Kaiser ESOP, has a different view of how things should work out. He favours equal shares of stock for all employees of the company. Anglin believes that under an ESOP Kaiser Steel would be profitable. "There would be a change of attitude among employees if they were also stockholders in the company," Anglin predicts.

He also maintains that the steelworkers know best how to run the mills, but that management doesn't listen to them. "That costs the company millions of dollars," he claims. "We could run it better."

Asked how the union intends to make the Fontana mill viable or profitable, Anglin said that highly motivated employee-stockholders would be able to make the mill profitable.

Kaiser Steel's reaction to the ESOP proposal has been almost derisive. At first the company said that it was prepared to study the proposal, but Girard commented that "we want to make it clear that we have not encouraged the union in its effort to form an ESOP."

Now Kaiser has rejected the idea of an ESOP as neither "desirable nor workable."

The company's rejection of the plan is premature, according to Anglin. "They haven't even seen a detailed proposal yet," he complains. But he believes that the ESOP can go on — with or without the co-operation of Kaiser Steel management.

COMPANY NOTICES

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
(Incorporated in the Republic of South Africa)

DIVIDEND NO. 112

An interim dividend (No. 112) of 130 cents per share in the currency of the Republic of South Africa has been declared payable to holders of ordinary shares in respect of the year ending 30th June, 1982.

Last date for registration		8th January, 1982
Registers close (dates inclusive)	from	9th January, 1982
	to	15th January, 1982
Currency conversion date (for payments from London)		1st February, 1982
Date of Payment		15th February, 1982

The dividend is declared subject to the customary conditions which can be inspected at or obtained from the company's Johannesburg Office, the Office of the London Secretaries (Barnato Brothers Limited, 99, Bishopsgate, London EC2M 3XE) or the London Bearer Reception Office (40, Holborn Viaduct, London EC1P 1AJ). Holders of share warrants to bearer should present coupon No. 112 to the London Bearer Reception Office.

South African Non-Resident Shareholders' Tax at the rate of 13.58% and United Kingdom Income Tax will be deducted from the dividend where applicable.

By Order of the Board,
M. J. MEYER,
Secretary.

Head Office and Registered Office:
Consolidated Building,
Cor. Fox and Harrison Streets,
Johannesburg, 2001.
(P.O. Box 590, Johannesburg, 2000).
17th December, 1981.

ANGLO AMERICAN INVESTMENT TRUST LIMITED
(Incorporated in the Republic of South Africa)

PREFERENCE DIVIDEND NO. 54

Dividend No. 54 of three per cent for the six months ending December 31 1981, has been declared payable on February 15 1982 to holders of the six per cent cumulative preference shares registered in the books of the company at the close of business on December 31 1981.

The preference share transfer registers and registers of members will be closed from January 1 1982 to January 15 1982, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about February 12 1982. Registered preference shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on January 4 1982 of the rand value of their dividends (less appropriate taxes). Any such preference shareholders may, however, elect to be paid in South African currency provided that the request is received at the offices of the company's transfer secretaries on or before December 31 1981.

The effective rate of non-resident shareholders' tax is 14.9492 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London offices of the company and at the offices of the company's transfer secretaries, Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001 and Charter Consolidated P.L.C., Charter House, Park Street, Ashford, Kent TN24 8EQ.

By order of the Board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
Per W. G. NICOL,
Divisional Secretary.

Head Office:
December 18 1981
44 Main Street
Johannesburg 2001

AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)

PREFERENCE DIVIDEND NO. 67

Dividend No. 67 of three per cent for the six months ending December 31 1981, has been declared payable on February 15 1982 to holders of the six per cent cumulative preference stock registered in the books of the company at the close of business on December 31 1981, and to persons presenting coupon No. 68 detached from stock warrants to bearer. A notice regarding payment of the dividend on coupon No. 68 detached from stock warrants to bearer will be published in the Press by the London secretaries of the company on or about December 31 1981.

The preference stock transfer registers and registers of stockholders will be closed from January 1 1982 to January 15 1982, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about February 12 1982. Registered preference stockholders paid from the United Kingdom will receive the United Kingdom currency equivalent on January 4 1982 of the rand value of the dividend (less appropriate taxes). Any such preference stockholders may, however, elect to be paid in South African currency provided that the request is received at the offices of the company's transfer secretaries on or before December 31 1981.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London offices of the company and at the offices of the company's transfer secretaries, Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001, and Charter Consolidated P.L.C., Charter House, Park Street, Ashford, Kent TN24 8EQ.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per W. G. NICOL
Divisional Secretary

Head Office:
44 Main Street,
Johannesburg 2001.
London Office:
40 Holborn Viaduct,
London EC1P 1AJ.
December 18 1981.

SVERIGES INVESTMENT BANK AB
(Swedish Investment Bank Ltd.)
7¼% Bonds 1981/1988

S. G. WARBURG & CO. LTD. announce that the redemption instalment of Bonds due 15th January, 1982, for a nominal value of U.S.$1,000,000 has been met by purchases in the market.

U.S.$9,500,000 nominal amount of Bonds will remain outstanding after 15th January, 1982.

30, Gresham Street,
London, EC2P 2EB
18th December, 1981

SVERIGES INVESTERINGSBANK AKTIEBOLAG
SDR 25,000,000 9% Bonds due 1985

Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that an aggregate principal amount of SDR 1,135,000 of above Bonds has been purchased for the purchase Fund during the twelve-month period beginning December 1, 1980.
Amount outstanding: SDR 21,337,000.

SVERIGES INVESTERINGSBANK AKTIEBOLAG

December 18, 1981

BAYER AKTIENGESELLSCHAFT
5% Convertible Loan Stock 1969

S. G. Warburg & Co. Ltd., announce that the interest for the period 1st January, 1981 to 31st December, 1981 will be due on 2nd January, 1982, and payable from 4th January, 1982, at the rate of 7.7188 per cent per annum against presentation of Coupon No. 13. Coupons should be lodged with:—
S. G. Warburg & Co. Ltd.,
Coupon Department,
St. Albans House,
Goldsmith Street,
London, EC2P 2DL,
from whom claim forms can be obtained.

United Kingdom Income Tax will be deducted at the rate of 30p in the £ unless claims are accompanied by an affidavit.

German Capital Yields Tax deducted at 25 per cent is recoverable in full by United Kingdom residents and S. G. Warburg & Co. Ltd., will provide appropriate forms for such recovery upon application.

30, Gresham Street,
London, EC2P 2EB.
18th December, 1981.

TORAY INDUSTRIES, INC.
(formerly Toyo Rayon Kabushiki Kaisha)

S. G. Warburg & Co. Ltd., announce that a dividend of Yen 2.75 per share has been paid to shareholders on the books of the above Company as at 30th September, 1981 in respect of the six month period ended on that date.

Holders of Bearer Depositary Receipts issued by S. G. Warburg & Co. Ltd., may present Coupon No. 38 for payment forthwith at their Coupon Department, St. Albans House, Goldsmith Street, London, EC2P 2DL or at Banque Internationale a Luxembourg, 2 Boulevard Royal, Luxembourg subject to deductions of Japanese Withholding Tax and United Kingdom Income Tax (if any) at the appropriate rates. Details of tax deduction can be obtained from Paying Agents.

S. G. WARBURG & CO. LTD.,
as Depositary.

18th December, 1981.

IRELAND
7% Sterling/Deutsche Mark Bonds 1988

S. G. WARBURG & CO. LTD. announce that the redemption instalment of Bonds due on the 15th January, 1982, for a nominal value of £1,250,000 has been met by purchases in the market.

£7,500,000 nominal amount of Bonds will remain outstanding after the 15th January, 1982.

30, Gresham Street,
London, EC2P 2EB
18th December, 1981

CANADIAN PACIFIC LIMITED
(Incorporated in Canada)

DIVIDEND NOTICE

At a Meeting of the Board of Directors held today, the following dividends were declared:

ORDINARY CAPITAL STOCK
A final dividend of ninety-five cents (95c) per share on the outstanding Ordinary Capital Stock in respect of the year 1981, payable in Canadian funds on January 28 1982, to Shareholders of record as at the close of business on December 29 1981.

7¼% CUMULATIVE REDEEMABLE PREFERRED SHARES, SERIES A
A dividend of thirty six point twenty-five cents (36.25c) per share on the outstanding 7¼% Cumulative Redeemable Preferred Shares, Series A, payable in Canadian funds on January 28 1982, to Shareholders of record as at the close of business on December 29 1981.

4% PREFERENCE STOCK
A final dividend of two per cent (2%) on the outstanding 4% Preference Stock in respect of the year 1981, payable on January 28 1982, to Stockholders of record as at the close of business on December 29 1981.

by order of the Board,
J. C. AMES,
Vice-President and Secretary.
Quebec City, December 14 1981.

THE ISRAEL ELECTRIC CORPORATION LIMITED
NOTICE TO 1969-1985 6 PER CENT DEBENTURE STOCKHOLDERS

At the draw held on 15th December 1981, Section 1 (One) of Trance "A" and Tranche "B" of the above Debenture Stock was drawn for redemption.

Redemption of the principal amount with a linking increment due on 31st December 1981, will be effected by Bank Leumi (UK) Limited against the surrender of the Debenture Stock Certificates to Bank Leumi (UK) Limited, Registrars Department, Lynton House, 255/259 High Road, Ilford, Essex IG1 1NQ.

PUBLIC NOTICES

COMPETITION ACT 1980
NOTICE UNDER SECTION 3 (2) (b)
BRITISH RAILWAYS BOARD

Under section 3 of the Competition Act 1980 the Director General of Fair Trading is to investigate whether British Railways Board (the "Board") had been or is pursuing a course of conduct which may amount to an anti-competitive practice.

The matters to be investigated are:

(a) the arrangements between the Board and Godfrey Davis Europcar Limited (formerly between the Board and Godfrey Davis Limited and its subsidiary Godfrey Davis (Car Hire) Limited establishing and maintaining exclusive rights in respect of the provision of self-drive car hire facilities at railway stations specified in contracts dated 1 April 1969, 1 July 1973, 1 July 1976, and 22 June 1979; and

(b) the criteria applied by the Board for deciding whether advertising services should be supplied at the Board's railway stations to those who provide vehicles for self-drive hire; and

(c) whether
   (i) by entering into and giving effect to such arrangements the Board is pursuing a course of conduct which amounts to an anti-competitive practice, and
   (ii) the application of those criteria, or any of them, is a course of conduct which amounts to an anti-competitive practice.

The goods or services to which *the investigation is to relate are:*

(a) the provision of vehicles for self-drive hire; and
(b) the provision of facilities at railway stations to those who provide vehicles for self-drive hire; and
(c) the provision of advertising services at railway stations to those who provide vehicles for self-drive hire.

If you have any information which you consider would help the Director General please write to:
Office of Fair Trading (Ref. FT2)
Branch CP4 Chancery House
53 Chancery Lane
London WC2A 1SP

Your letter should arrive as soon as possible if it is to be taken into account in the enquiry.

A list of the railway stations to which the contracts apply will be available for inspection at the above address.

METROPOLITAN BOROUGH OF CALDERDALE

£1,800,000 Bills issued 16th December 1981 at the rate of 15% to mature 17th March, 1982. Total applications were £7,200,000 and there were £1,800,000 Bills outstanding.

THE ARTS

Sadler's Wells

A Christmas Carol

by RONALD CRICHTON

Thea Musgrave's new Dickens opera had a British premiere last night—the first of six performances at the Wells in four days with matinees (today and tomorrow). We owe this short run to the joint efforts of the Royal Opera House, the Sadler's Wells Trust and the Virginia Opera Association from the U.S., who sponsored the work and gave the world premiere two years ago.

There is a double cast. Peter Mark, who conducted last night, and who is general director of Virginia Opera, is relieved for two performances by David Syrus. The orchestra is the London Sinfonietta, making a loud and cheerful sound with what is for most of the time a loud score, cheerful when Dickens demands, otherwise busy or spooky in Miss Musgrave's efficient way. She is an efficient opera composer and sometimes more than that but not often, I think. In *A Christmas Carol*—the ending of the first act, the scene for young Scrooge and the girl he turns down, the scene of old Scrooge's recantation, are the work of a composer who knows her operatic job.

There are scherzo passages at moderate speed which have real charm, but also much busy-ness (the word will come back) where the target is approximately, vaguely hit and one longs for a simple bull's-eye. The lament for Tiny Tim was one of these. Much use is made of the tune "God rest you merry." In one scene "Baa, baa, black sheep", or something very like it, slips in and out. The idiom, as you will gather, is not alarming.

Frederick Burchinal, the first Scrooge at Norfolk, Virginia, sang the role at this premiere too—he shares it with Jonathan Summers. The American baritone has a firm, warm voice, slow to warm up but attractive when it does so. He missed the concentrated venom of the all-important first scene when Scrooge turns his back on Christmas and human kindness. This lessened the effect of his repentance later. There is a great deal of doubling and trebling of small parts. Forbes Robinson and Elizabeth Bainbridge stood out a mile for the way they suggested, as few others did, the complete Dickensian background. Everything suddenly fell into place and one wondered if reservations about the music may have been unfairly directed at the composer.

Praise for these two experienced artists does not mean there was nothing else to single out. Eiddwen Harrhy, Sandra Dugdale and Philip Gelling had fine moments, and so did the well-set-up Robin Leggate, rather oddly cast as poor Bob Cratchit. The producer David Farrar seemed happier directing designer Miguel Romero's nice-looking but not especially Victorian-Londony mobile sets (so little fog!) than in handling the principals—Scrooge, who has a dangerous amount of conscience-stricken banging about to do, kept elbows bent throughout and signalled with his forearms. The enterprise is a creditable one for a foundation with modest resources, and *A Christmas Carol*, though it may not mark much advance on Miss Musgrave's *Mary Queen of Scots*, will please many. The reception was friendly.

Covent Garden

Romeo and Juliet

by CLEMENT CRISP

Jennifer Penney, with her exquisite, easy style and a physique seemingly God-given for dancing, made her debut as Juliet on Wednesday night. As with her performances in *Manon* and her created roles in *Gloria* and *La Fin du Jour*, she showed herself a MacMillan dancer of intuitive grace: her girlish passion makes the Juliet of the first act wonderfully vulnerable, and touching in her impetuosity. The balcony pas de deux was lustrous, one long phrase of movement following another, delicate in emotional colour as in dynamics. The characterisation had already opened out from the sweet child we first see playing with her doll; the meeting with Romeo spoke of passion suddenly taking hold, and with the culminating moments of the balcony duet the girl had abandoned herself—but how lightly, and with what beauty of means—to her destiny.

The first act's portrait of Juliet lies with complete naturalness within Miss Penney's range. For the more tormented feelings of the bride she still has to find a darker timbre, has to plunge unthinkingly into the tempest of Juliet's efforts to stay true to Romeo. Her view of the role is well thought out, and it has moments of great pathos—this Juliet is a victim who tugs at our hearts at every moment—yet that determination, that sense of a concentrated emotional and physical presence, which marked Seymour's sublime original is only intermittently present. But this was a first performance of high promise, which experience will surely enhance; we have a new Juliet of real distinction.

The Romeo was Wayne Eagling, responsive in emotion, and sweeping with a fine rapture through the dances. And in a cast welcome for some unfamiliar players, Ashley Page made a bright, boldly danced debut at Benvolio, with Stephen Jefferies a Mercutio as vivid as any I have seen. I doubt if Jefferies can do wrong as a dramatic dancer, but I wish he did not seek to make a tiny physical joke for each of Mercutio's exits in act one: it is a trick which unnecessarily cheapens the character.

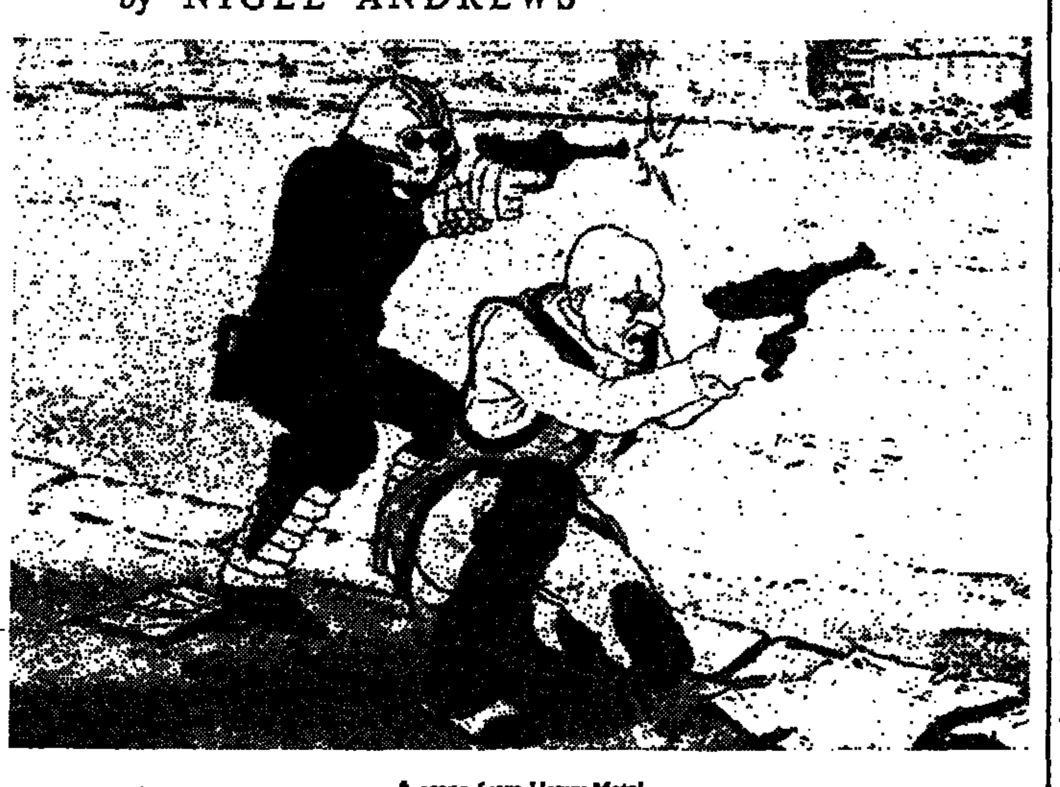
I had not seen Derek Deane as Tybalt before, and I must salute it as an original and entirely telling portrayal. Deane's Tybalt is cool, every action controlled, and beneath the superficial elegance is a still and highly dangerous temperament which bursts out in the second act brawl: it is a reading which uses all Deane's best qualities as a dance actor, and it reasserts Tybalt's importance in MacMillan's view of the Capulet household. From the company, as always, most sensitive ensemble playing; would that the same could be said of the orchestra.

Cinema

The world of Sid and Dud

by NIGEL ANDREWS

Prince of the City (X) Warner West End (3) and other West End cinemas
Arthur (AA) Warner West End (2) and elsewhere
Lady Chatterley's Lover (X) Leicester Square Theatre
Eye of the Needle (AA) Odeon Leicester Square
Heavy Metal (X) Columbia, Classic Haymarket and elsewhere



A scene from Heavy Metal

Prince of the City is the weightiest film of the week: 2¾ hours long, ballasted with issues of Law and Corruption, and directed by Sidney *(Serpico)* Lumet as if it were the urban-crime *magnum opus* to end them all. Drop the film from a modest height and it would probably break both your feet. No mercy for you if it did—for it is also four-square, ungainly, and protruding in all the wrong places.

Lumet can be an electrifying director when wiring up a film that has clear beginning, middle and end *(Dog Day Afternoon)* or a well-structured script—however long—by a noble penman and patrolled by top thespians *(Long Day's Journey Into Night)*. But *Prince of the City*, like his recent traumatic inflation of *The Wiz*, has gone for the epical and achieved the amorphous.

Danny Ciello, our cop-informer hero, is based on a true-life New York undercover detective who assented to 'blow the gaff' on police corruption by naming names and by using a hidden microphone to fish for damning admissions of bribes taken or drugs dispensed—from his colleagues. The assent, suggests the film, was torment for him. Treat Williams plays Ciello with black eyebrows and jet-black hair (he was blond in *The Ritz*, brown in *Hair*) as if to undermine that this eponymous "Prince" is really Hamlet in Manhattan disguise—(inky cloak and customary suit of solemn black cosmeticised—and you will forgive his wracked self-doubtings and very long early monologues for they have Shakespearean precedence.

Should he shouldn't he—(now might he do it pat—oh that this too solid alibi—finally he agrees to spill the beans. At first he shelters the crimes of his closest cronies (in the plain-clothes narcotics task-force he leads) and conceals his own peccata: but at last he is forced by the wheel of justice to break open these as well. His wife and children, meanwhile, acquire so much police protection that it amounts to house arrest; his Mafioso cousin is dumped dead in a dustbin; his own life comes under threat; and the FBI scandal-extractors grow fat and famous on their informant's revelations.

There are brief susurrations of immediacy and suspense in the film. Will Ciello's gabby interlocutors tumble to the hidden wire? Will a battery leaking into his stomach give the game away?

But Lumet and co-screen-writer Jay Presson Allen, though they throw forth a fistful of good scenes, haven't begun to shape or assess the ideas and issues at stake, or to synchronise them effectively with the narrative. We never discover *why* Ciello risks his life to "turn" on his fellows. Partly because the script doesn't venture to tell us, partly because Treat Williams himself has no between-lines transparency as an actor. Nor do we penetrate behind the bland mask of operational efficiency worn by the FBI or the stock B-movie creepiness of the crime-kings and corrupt cops Ciello pursues. *Prince of the City* takes on a real jungle and tackles it with a cardboard machete. It's a swollen telly-drama masquerading as epic social exposé.

*

Arthur is written and directed by an American, Steve Gordon, who must surely have swallowed large doses of P. G. Wodehouse at an early age. Here is the silly-ass playboy (Dudley Moore) who dons the soup-and-fish for a night out on the town. (Only the town is Los Angeles). Here is his imperturbable valet (John Gielgud), gliding about on castors and administering conversational high-unction. (Only with unchanged aloofness and Gielgudian trill, he also dispenses the odd four-letter word.) Here is the father-of-the-prospective-bride, a fire-eating big-game hunter such as Wodehouse set stomping across many a page. And here is even an imperious Aunt (Geraldine Fitzgerald), who urges her nephew not to sacrifice a "good" marriage and his sure inheritance of $75m by throwing himself upon pretty shoplifter Liza Minnelli.

All that is missing is any glimmer of true Wodehouse wit. Gielgud's one-liners substitute for Jeevesian guile and periphrasis a lofty, all-weather snobbishness: "Usually one must go to a bowling-alley to meet someone of your stature" he says to the understandably affronted Miss Minnelli. And Moore, robbed of his actor's due of good dialogue, falls back with brave but not unbloodied resource on Moore-ish muggings and wumpings. His "drunk" act is the best the modern screen will give you, a sozzled firework display of tics and slurs and stammers. But even that cannot effervesce indefinitely through a script that is 97 minutes of flat champagne.

* * *

Elsewhere the cinema's Christmas stocking is occupied, with many a sound of struggle and scuffle, by rampant women and men in wheelchairs. Hell hath no fury like Women's Lib seen through the wrong end of a cultural seismometer. Can one be surprised that feminism in a male-dominated industry should quakingly and fairly quickly convert into male persecution mania?

Lady Chatterley's Lover and *Eye of the Needle* both have wheelchair-bound hubbies who look much the worse for being at the emotional mercy of errant wives. But the bark is worse than the bite in the new porno-chic version of D. H. Lawrence. It sounds preposterous and pulp-exploitative on paper—Sylvia *(Emmanuelle)* Kristel playing Moddom, with dubbed upper-crust English accent, and Just *(Emmanuelle)* Jaeckin directing—but on celluloid it's both fun-silly and stylishly *sui generis*.

Jaeckin's banned-in-Britain *L'Histoire d'O* seemed to me a classic of *L'erotisme fou* when I saw it in Paris: making up in giddiness of style for what it lacked in explicitness of content (whippings apart). *Lady C* is also non-explicit and won't frighten the horses, or your gamekeeper. But Jaeckin swoops his camera around in lovely arabesques, he isn't shy of the odd burp of dotty symbolism (Clifford's blue-chalked billiard-cue is waved in the camera's face just to suggest phallic frostbite) and he makes cinematic sense of a not always sensible novel. Soft porn, but giddy movie-making.

In *Eye of the Needle* chair-bound spouse is Christopher Cazenove, de-legged by an auto accident on his wedding day. Worse is to follow "four years later" when he and his wife Kate Nelligan are burst in upon, on their far-flung Scottish isle, by boatwrecked German spy Donald Sutherland. Year: 1944. Anxious to ferry secrets to the Führer without slipping his identity to the couple, Mr Sutherland is torn between the attending U-boat and the extended arms of the sexually undernourished Miss Nelligan. Will love, espionage or violent confrontation prevail?

Richard Marquand directs with what seems to a large canister of grey fog, and one cannot applaud the film's tendency to creak from action cliché to action cliché as if lurching through signpost-less wartime Britain. But though the mise-en-scène is full of sound and Führer, signifying little, Miss Nelligan gets A for acting effort and the scenery, when you can see it, is spectacular.

Women's Lib in *Heavy Metal* comes riding out of the sky in the form of a Valkyrie heroine wearing skimpy black lingerie and straddling a giant bird. She lops off men's heads with a large sword in the last episode of this multi-storey animation feature "inspired by" tales and characters from the *Heavy Metal* comic books. The other six tales range in locale from Broadway to the Milky Way and wield such brush-and-paint bizarreries as a sexual-athlete robot, a magical green meteorite and an island of carnivorous skeleton air-pilots. Something for everyone, in short, and the animation has a fine helter-skelter animism.

Computer booking for London

A £200,000 computerised box office system — the first of its kind in London — is to be installed at the Barbican Centre to be opened in March.

The centre has chosen Box Office Computer System (BOCS) the market leader in the field. Installation will begin immediately and early in the New Year the system will be issuing tickets for the centre's first performances.

Finall approval for the purchase of the system came when the Court of Common Council for the City of London agreed to a recommendation for the system by the Barbican Centre.

The system, developed by Space Time Systems Ltd. is serving six venues throughout the country and has been ordered for a further 12. The first installation was for Manchester's Palace Theatre. A central computer serves all the venue run by the City of Glasgow, including the 1,200-seat Kings Hall and the 2,500-seat Kelvin Hall. In Manchester and Glasgow the system is handling 2.5m seats per annum.

BOCS is the first computer system designed specifically for the British box office. It processes bookings simultaneously from remote outlets and from tradtional sales points within theatres.

Apollo

Captain Beaky's Musical Christmas

It needs a strong if not all-star cast to fortify such light-weight entertainment as this show which is emphatically not for small children.

Slow to start, particularly for those members of the audience unfamiliar with the best-selling books and record albums, it is a musical revue spiced with the snap, crackle and wit of Jeremy Lloyd's book and the backing of beautifully written and performed music.

Keith Michell as Captain Beaky is the lynch-pin, and the heavy, in a bill which allows Eleanor Bron unlimited scope for her mimicry and subtle glamour, Jeremy Lloyd a beaming, good-humoured run of song and dance, and Twiggy (playing herself) pert and prettier than ever.

The small orchestra with composer and musical director, Jim Parker, is on stage throughout, and the otherwise static setpiece is highlighted with back projections of Keith Michell's drawings which, for those old enough to remember (and that was most of the first night audience) create a magic lantern effect.

Animation and vivacity come with mime, voices and music, and when each member of the cast performed his or her monologue it was living Disneyland.

Fun is the keynote and many middle-aged fans fell about at the sight and sound of the marrying together of words and actions. A little audience participation came with Hissing Sid (non human) which succeeded in capturing Twiggy for a few moments and evoked strangulated warnings from the stalls. Teen-agers, grannies and my old man all appeared to adore the event which collected stars from me for its total lack of smut, violence or connection with the present-day horrors of the world beyond Shaftesbury Avenue.

DEBORAH PICKERING

Albery

Dracula

by B. A. YOUNG

The version by Phil Woods, with (rather than and) Michael Bogdanov, contains virtually all of Bram Stoker's original novel, but there is a mass of new invention as well. The action is in full flood when you come into the auditorium. You can go up on to the stage and buy a glass of blood or a gingerbread crucifix after your entrance has been announced, with an undeserved title attached to your name.

The production is a characteristic Bogdanov piece, with masses of blood and some saucy jokes. The children in the audience are as much part of the performance as the cast on the stage. They did not turn a hair when poor Lucy Westenra's insides were extracted from her like a hundred-weight of mince. "She had a lot of guts," says someone.

They are given plenty to do, and do it with enthusiasm. When Dracula (Anthony Milner) or Lucy (Sarah Kenyon) is prowling around the stalls looking for a victim, the victims offer themselves eagerly. "I'm 'ere! I'm 'ere!" yelled the tots in front of me, afraid of nothing. When the great climax arrives at which Dracula is to be trapped by Harker (Anthony Smee) and Van Helsing (Terry Taplin), they are offered sundry ways of helping to catch him—by waving their feet in the air to spread the smell of garlic from the impregnated entrance mat, by breathing out as hard as they can, or best of all by singing that sovereign anthem, "Men of garlic."

Dr Seward the alienist is played by John Labanowski in the semblance of a Yorkshire mill-owner, and Renfield, his prize lunatic (Micky O'Donoghue), eats his flies and his spider, even his rat, with every sign of pleasure.

Wembley Arena

The Police

For the second successive year the Police are the top British pop group and to prove their dominance they gave three packed-out concerts at Wembley this week. Their strength, and their weakness, is that they play pop rather than rock or any more rarified variety of contemporary music. This ensures them a vast audience but hardly makes for impassioned playing. In truth Wednesday night's concert was a bit of a bore.

Rather bravely the sound system was blasting out Bob Marley just before the Police took the stage with their "white" reggae, their earliest and perhaps most distinctive contribution to pop music. Their later work shows great skill in producing classic pop songs, like "Every little thing she does is magic," with a recent predictable move into trendy political commitment with "Invisible Sun," performed at Wembley against a film of how bleak life is in Ulster, inexplicably banned by the BBC—perhaps they found it just too depressingly uninteresting.

The snatch of film was the only element of showmanship in a 75-minute run through of old hits and songs from the latest album. The Police could do with more gimmicks mainly because the star attraction, Sting, plays bass, not the sexiest instrument in the repertoire and certainly not when he employs a revamped double bass. With Stewart Copeland hidden behind a massive drum kit, which he plays well, and Andy Summers a restrained lead guitarist, Police were not in their element in the Wembley wasteland, despite the welcome addition of a three-man horn section. Sting may have come pop stardom too late to be any more than predictable in his rousing of the crowd and he was not in the mood for much physical exhibitionism.

Of course individual songs, such as "Demolition Man," are excellent, and the adrenalin flowed quite freely much of the time, but there remained a gap between the exalted reputation of the band and their performance.

ANTONY THORNCROFT

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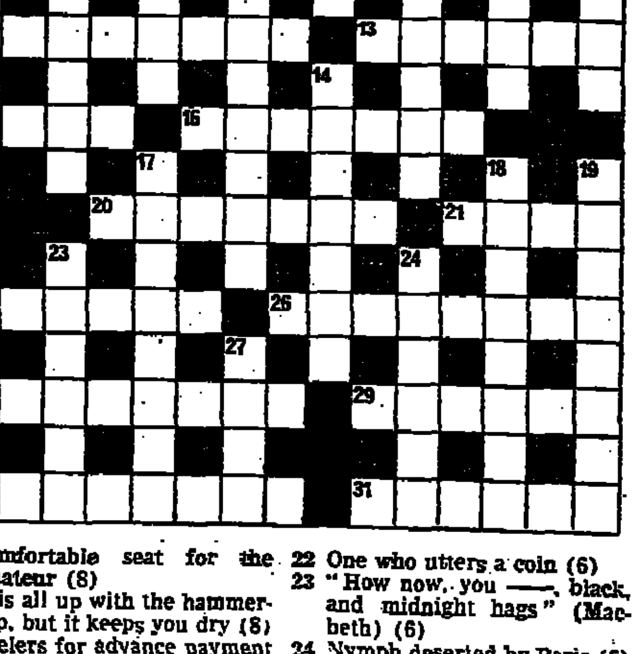
F.T. CROSSWORD PUZZLE No. 4,753



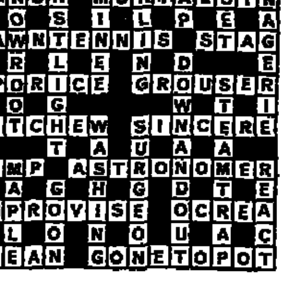
ACROSS

1 Looking for an overshoe? Look in the cleft (6)
4 A station carriage (8)
9 If you have one, you are not at your best (3-3)
10 Keenly contested, and sound as a bell (4-4)
12 A small ad. has crowd in confusion (4-4)
13 The accent aboard is very French (6)
15 and 31 Verbal admission (4, 6)
16 Pecuniary reparation for mother is growing old (7)
20 Magazine team (7)
21 No one is coming back—it is a bad sign (4)
25 Three in sequence start a row with the Church of England (6)
26 Practise about what people are dying to ride in (8)
28 Tortoise put quietly in the ground (8)
29 "No ——, or swart faery of the mine" (Milton) (6)
30 Came back from a short walk in the grass (8)
31 See 15.

DOWN

1 Game commendation for stolen merchandise (4, 4)
2 What survives must be finished with Labour (4, 4)
3 Celebrity going to church needs a stiffener (6)
5 Bird to be found in a Carib island (4)
6 Got there somehow in concert (8)
7 It harboured the Colossus (6)
8 Let us leave the emperor for a month (6)
11 All right on shore, but impopular in the kitchen (7)
14 The remedy is for dad to bring in a winner (7)
17 Comfortable seat for the amateur (8)
18 It is all up with the hammer-kop, but it keeps you dry (8)
19 Feelers for advance payment upset the Princess (8)
22 One who utters a coin (6)
23 "How now, you ——, black, and midnight hags" (Macbeth) (6)
24 Nymph deserted by Paris (6)
27 Can you spare a coin? (4)

Solution to Puzzle No. 4,752



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Law Lords and the GLC

THE Law Lords are the final arbiters of the laws of England. They do not purport to be economists, managers or politicians. If one of their rulings purports to create economic, administrative and constitutional chaos, there is no point in quibbling with their reasoning or complaining that their value judgments take insufficient account of economic theory or business reality.

Flawed

The Law Lords' decision that the Greater London Council was acting illegally in deciding to increase its subsidy to London Transport in order to reduce fares to a level comparable with those of the world's other major public transport undertakings is the clearest possible case of this general principle.

As an essay in transport economics or managerial theory, the Lords' judgment is gravely flawed. Their Lordships' unanimous contention that an "economic" public transport system is one which aims to ensure that costs are covered by passenger revenues would not survive the red pencil of an "A" Level economics examiner who is aware of elementary economic concepts such as "external benefits" and "economies of scale."

Lord Scarman's opinion, that grants are acceptable provided they are paid to bail out a management which fails to anticipate its losses, but that they are illegal if paid as a deliberate act of policy would have provided a poor basis for improving managerial discipline and forward planning in industries that suffer from chronic deficits.

However, as an authoritative statement of law, the judgment provides conclusive evidence that the Transport (London) Act needs urgent amendment and clarification. It also points to the general ineptitude with which many important statutes are drafted.

Background

The Act contains much detail about accounting and other matters which could well have been handled by simple references to proper business administration. But on the all-important point of how the cost of public transport should be distributed between passengers and government, which was, as Lord Wilberforce noted, a highly contentious subject at the time of the legislation, the Act offers only the cryptic instruction that the GLC must aim to provide "integrated, efficient and economic transport facilities and services for Greater London."

In the four years preceding the passing of the Act, London Transport showed either a small surplus before charging interest on debt or only a small deficit. It may well be that the MPs at that time read the word "economic" against this background and, if so, the House of Lords decision interprets correctly the intention of Parliament. But judges are not encouraged to read Hansard and even less business accounts of the period. Indeed, the present decision of the Lords is based on the concepts of a fiduciary duty of the GLC to its ratepayers and the need for fair balancing of this against the duty which it owes to transport users. It is most unlikely that MPs, when voting for the Bill in 1969, were aware of the implications of the 1925 and 1964 precedents which, as we now learn, are essential for understanding that "economic" means cost-effective and that London Transport should break even as far as is practicable.

Operate

Statutes may and sometimes are, drafted obscurely by officials and governments to keep politicians in the dark about the impact they will have. Sometimes they avoid a clear statement of principle because it is much easier to agree on details than on the principle. Yet the Law Lords too seem to be shy about formulating a broadly applicable principle. Reading the five speeches one gets the impression that the GLC lost because it ignored the exigencies of cost-effectiveness so flamboyantly and put a political manifesto above financial constraints so demonstratively.

If the law relating to London Transport is not amended but other transport authorities continue to operate as at present, then the only general principle from the Lords' judgment will be that local authorities can operate whatever levels of subsidy they wish, provided they do not shout about it too loudly.

Challenge for China's reformers

CHINA'S National People's Congress ended this week after a fortnight of solid discussion on policy and legislation. Premier Zhao Ziyang and Finance Minister Wang Bingqian delivered reports which summed up the state of the economy in hopeful but certainly not rosy terms. The Congress passed two laws, one on contracts and the other on tax for foreign enterprises, both crucial to companies operating in China. Some of the deputies' discussions were reported in the press, including mild criticism of the Premier's speech.

China has come a long way since the arbitrary days of the cultural revolution when the legal system of the 1950s was abandoned, the Congress nearly became extinct and leadership meetings were held in total secrecy. In 1979 Peking began to formulate a system of laws, some relating to foreign businessmen. This Congress has built on that, indicating to foreigners what they can expect if they wish to invest in China. While the legislation is not altogether satisfactory it confirms China's long-term interest in attracting foreigners to help with the country's economic development.

Problems

In the past three years the Congress itself has become much more of an institution. Detailed reports on the economy and finance are now a regular occurrence. While the tone smacks too often of propaganda they do not shirk incorporating unpleasant facts. Policy failures, planning mistakes, graft and corruption were all mentioned. And while the deputies' discussions bear no resemblance to a Western democracy, at least topics of crucial importance in China get an airing.

These are healthy developments, and a sign that the pragmatic policies of Deng Xiaoping are genuinely laying a foundation for a different China even if most Chinese live in the grip of a totalitarian state. But the problems which still confront him and his supporters are immense. Premier Zhao's report to the Congress focused strongly on the development of the economy and the bureaucratic obstacles that hinder it. The question of how to satisfy the most basic aspirations of one billion people are nowhere near solved. Many of the decisions which should alleviate their plight end in a quagmire of red tape.

Premier Zhao promised a searching reform of the bureaucracy which would shake out inefficient organsations and bungling officials. Hitherto proposals for similar reforms have been defeated by the total inertia of the system. Resistance to change is reinforced by ideological objections from hardline Communists to the economic reforms Deng has already introduced. In a country already plagued byp unemployment and anyway accustomed to job security for life, the staff cuts the Premier proposed will be traumatic. Peking has to try to do it if it is ever to modernise, but the risks may jeopardise Deng's wide economic reform programme.

While Premier Zhao was able to present a series of successes in his report—a near-record harvest in spite of flood and drought, a huge leap in light industry, and a successful campaign against inflation — the underlying problems of China's economy are still massive.

Soaring subsidies and the need for price reform are crucial and immediate issues. Basic foodstuffs and fuel, plus numerous industrial raw materials, are all heavily subsidised by the State.

Improving

Also confronting Peking is a mass of social problems which are now being tackled. Limiting the population even to a possible 1.2bn by the end of the century will be difficult. Improving living standards for the growing numbers will be correspondingly hard. Finding jobs for all the youngsters leaving school is impossible now (though Peking is successfully using the new free markets and co-operatives to mop up a large number). In a few years, as rationalisation in manning gradually spreads, the problem could get much worse.

While Deng Xiaoping is alive, his hand on the helm may prevent shipwreck. But he has much to do if his successors are to navigate the shoals successfully.

BRITISH PAY LEVELS

The public sector minefield

By Christian Tyler, Labour Editor

A special conference of miners' delegates in London today highlights the feature of the new wage round that is now causing acute concern to Britain's private manufacturers.

The conference is likely to give vociferous support for their union leaders' rejection of a pay offer worth between 9 and 10½ per cent, and to call on the rank and file to give authority for a national strike if the National Coal Board does not improve the offer.

In other words, the miners are determined to extract a double percentage figure settlement—whose repercussions will be felt in most of the other nationalised industries—at a time when the private sector is settling at levels far below this.

The likely emergence of one law for the private sector and one law for the public has not gone unnoticed by the Confederation of British Industry (CBI), which on Wednesday demanded that the Government should stick to its own guns: its 4 per cent cash limit for public service pay was after all meant to be taken as a guideline for the public sector as a whole.

Perhaps a greater shock to private industry than the miners' decision to raise the stakes—with all that implies for the price of coal, electricity, gas and rail transport—was the local authority employers' disregard for the cash limits.

One employers' spokesman described it yesterday as "incredibly irresponsible," that council employers have offered basic rate increases of up to 7.8 per cent combined with the first cut in working hours in the public services. The offer covers some 1m manual workers and is thought to cost between 6 and 7 per cent.

It was greeted with jubilation by union negotiators who for months have been trying to whip up a co-ordinated attack on the 4 per cent cash limit. Shop stewards have reacted with less enthusiasm and are trying to get the offer rejected on the grounds that it still falls far short of the annual rate of inflation.

The contrast between private and public sector is telling. While the RPI remains at an annual rate of around 12 per cent, evidence collected by the CBI since the summer suggests that the range of settlement in the private sector is between 4 and 8 per cent. In the hardest hit sectors of the economy like engineering, pay rises of between 0 and 5 per cent are commonplace.

What alarms the CBI, the Engineering Employers Federation and similar organisations is that their members will be punished twice over: their workers' expectations may be raised (although this is probably a marginal factor), while their costs—rates, energy and prices generally—will be inflated by the higher wages conceded to public sector employees.

The CBI recognises that the Government is unable to control wage settlements directly because the pay control mechanisms it has adopted for public services and nationalised industries, preclude direct intervention in bargaining. It therefore wants a Ministerial propaganda campaign to stress the consequences of these settlements for the economy as a whole.

It is noticeable, indeed, that since the 4 per cent cash limit was announced back in early September Ministers have gone rather quiet on the subject of pay. In short, the CBI feels let down. It embarked earlier this year on its own intensive propaganda campaign to try and depress employers' expectations. A round of regional conferences was called in order to educate companies in the national economic realities.

Profitable firms were begged not to make life hard for the rest by paying more than low single-figure increases. And although the concept of the going rate is not recognised in the CBI's public propaganda, the underlying aim of these briefing sessions appears to have been to talk the going rate down. Many firms, it is true, are at the point where their inability to pay is obvious to trade union negotiators. These firms were to set the example.

Arguments about ability to pay however are little respected by public sector unions. The civil servants are working on a claim for next April of 13 per cent, the firemen have secured 10 per cent through their linkage with the index of higher paid manual workers' earnings, and the nurses will be asking Mrs Thatcher today to give them inflation proofing. The water workers' negotiators initially accepted a 9.1 per cent offer, but the Public Employees have turned it down.

Few private companies will be matching the kind of increases demanded in the nationalised industries. Several insurance companies have offered around 10 per cent, but that rate may fall in later deals. The banks—always a sensitive test case during periods of wage restraint—are still making their own political calculations.

Shipping companies have settled with their seamen for around 8 per cent and the tanker drivers, despite protracted rumblings about a strike, proved content with the same. Lorry drivers in many regions are being offered around 5 per cent and some have rejected the offers. After the tanker drivers' debacle, rumours of industrial action by road haulage men have to be treated with caution.

In the motor industry Ford UK, one of the few profitable arms of the Ford empire, is under threat of a strike from its manual workers in the new year over its 7.4 per cent wage offer tied to detailed efficiency proposals. Vauxhall settled at 5 per cent for its manual workers and Talbot is offering 2½ per cent. BL—in so many ways an untypical case — actually found itself with a strike on its hands partly because of resentment against Sir Michael Edwardes' managerial style, but a showdown was averted after internal union dissension.

Elsewhere in engineering Metal Box is suffering an overtime ban in response to a 5 per cent offer but other companies have been settling at or below this rate. Indeed one notable feature of the pay round is the number of companies estimated to have delayed their renegotiations for three, six or even 12 months because they are short of revenue. Tube Investments subsidiaries, for example, has been settling at between 4 and 6½ per cent, while the CBI has tentatively estimated that 250,000 workers will this winter see their annual pay review postponed.

Another consequence of the recession has been to renew employers' dislike of national bargaining. The closer the bargain to the point of production, they argue, the more realistic—that is the lower—it will be.

What has disappointed the more sophisticated employers is that recessional bargaining, with its emphasis on real balance sheet figures, is not leading to any noticeable effort by companies to increase worker involvement generally. When the recession ends, they say, the practice of opening the books could cease and trade union negotiators will extract their economic revenge.

Ashley Ashwood
The miners unions: determined to extract a double percentage figure settlement at a time when the private sector is settling at more modest levels

'They're taking a big risk if they take us on'

By John Lloyd in Manchester

THE MINEWORKERS of Lancashire will vote for a strike next month, in protest against the National Coal Board's current offer of between 9 and 10.5 per cent.

This means the mineworkers of Britain will also vote for a strike next month. The Lancashire miners appear canny men and are cannily led: they will not indulge in adventurist shows.

The leaders of the areas' 12,000 miners, gathered round a great table after the monthly executive meeting in their area's solid Victorian headquarters in Bolton, explained yesterday why this will be the case. They have their ears close to the ground and know well what can and what cannot be done: they know and share their members frustrations, and they put the reason in two words: the mini-budget.

Mr Harold Barrow, area executive member for the winders—the men who bring up the coal and the miners—is, like most of the executive, on the right of the labour movement. He does not like Mr Arthur Scargill, his national present-elect and the sight of Mr Tony Benn claiming, the evening before on television, to speak as deputy leader of the Labour Party, drove him to fury; but he says: "People are being made to be militant now."

Mr Barrow lives, like an estimated two thirds of his members, in a council house. He will pay some £3 more a week after Sir Geoffrey Howe's latest measures have gone through. Like every other worker, his social security payments will go up. If he thinks that the NCB can, by the shaking of a stick, be persuaded to push up its offer to say 11-12 per cent, he will vote for the use of the stick.

He thinks the NCB will pay out more, because those with experience at national level tell him so. The area's delegate on the national executive and area general secretary, is Sid Vincent, a big, straight-forward man who rages against the left on the executive in general and Mr Scargill in particular. He claims to have pioneered flying pickets in 1972, two years before Mr Scargill's appearance on the national scene and it was he who proposed, at last week's NEC meeting, that the miners be faced with the stark choice of taking "strike action" if they rejected the offer, rather than simply industrial action, as had been mooted.

Mr Vincent wants his members out because he is convinced there is "more in the kitty." Neither the board nor the Government, he argues, want a strike and they can avoid one with a couple of percentage points.

Mr Jim Lord, the Agecroft colliery branch secretary, and Mr Jim Hall, the Parsonage secretary, agree. Mr Hall recalls the comment by Mr Francis Pym on a BBC television programme earlier this week that miners could be a "special case": proof, he believes, that the Government will not block a higher settlement. Mr Lord says there is no reason for miners to settle for a below-inflation offer. "If there were a prices and incomes policy, then fair enough, my members would accept one. But there isn't."

Mr Bernard Donaghy, the area's president and one of the unsuccessful right-wing candidates for national president, makes a further point: the board's offer discriminates against the lower-paid surface worker. "This year we wanted to do more for them. Ironically on this offer, they're worse off."

Thus the executive drove back yesterday afternoon to their pits through the frozen Lancashire landscape, their decision taken to agitate for a rejection. Their action will be underpinned at the area delegate conference tomorrow when Mr Vincent will use his own authority to get the votes for a strike.

And the miners themselves? There is no reason to doubt the accuracy of their representatives' soundings. In the Leigh miners' club, in the Colliers Rest and in the Nevison Inn next to Bickershaw colliery on Wednesday night they took some time to show any interest in wages and industrial action, but agreed that if the threat of it could get more money, then why not? As a simple as that.

Like their representatives on the area executive, all denied that the strike would be political in any sense, though all wanted the Government out.

This was a wages struggle at attempt to jack up the offer a calculated risk in the face of a board and a Government which had shown, over the issue of pit closures earlier this year, a propensity to back down.

If the calculation fails, and it does not? "Then the strike is on," says Mr Donaghy. "They don't want it but once they've voted for it, there's no way out of it." "And the moderate areas are the most militant when a strike is called," says Mr Vincent, "once we make up our minds to it. They're taking a big risk if they take us on."

Men & Matters

Hay makes it

The only really surprising aspect of Ian Hay Davison's appointment as the new chairman of the Accounting Standards Committee is that he can find time to do the job. Apart from being managing partner of Arthur Andersen's U.K. firm, he is a busy figure at the English Institute of Chartered Accountants, as a member of the Council and chairman of the Technical and Research Committee.

He has also been prominent on the public sector investigating circuit, inquiring into water authority budgets and the collapse of the Grays Building Society. He has been rumoured this month to be the likely thruster of a far-reaching probe into the future of British Rail. He dismisses that prospect as "pure speculation," though that is not quite the same thing as a denial.

Davison, now 50, will be by far the youngest ASC chairman, following in the footsteps of such senior professional figures as Sir Ronald Leach and Sir William Slimmings. He is scheduled to take over from Tom Watts at the beginning of July next year. He expects his two-year term to be "very interesting and stimulating," which others feel may well be more than a platitude, since Davison has a sharper and more ambitious edge than most of his accountancy peers.

He refuses to be drawn on the particular challenges he faces, but controversial subjects like leasing and pensions are known to be high on the agenda, and the degree of financial and clerical support for the ASC from the various accountancy bodies remains to be clarified following the publication of the Watts report earlier this year.

Sew, farewell . . .

A change of style as well as chairman today at Leeds-based clothier J. Hepworth as mature trendy Terence Conran takes over from the retiring Robert Chadwick.

From Conran's marketing ability, says Chadwick, "a new Hepworth is going to emerge." Refitted for the 1980s as Chadwick himself fitted the company for the last two decades.

A local solicitor, Chadwick joined the board in 1947. "In those days, the company strategy was to be where nobody else would go," he tells me. "We had shops in places like Diss, Penzance, Mold and Stornoway."

But from making its mark by avoiding competition, Hepworth under his chairmanship during the 1960s and 1970s became one of the High Street's tailoring pace-setters.

Hardy Amies designs boosted its fortunes in the first decade and an ambitious expansion of its retail chain consolidated them in the second 10 years.

After taking 100 years to make its first million, Hepworth made its second in four years and its third in another two.

When Chadwick joined in 1947, the profit was £200,000. Last year—"one of the worst recessions I've known"—it was more than £4m.

Chadwick learned to cope with the ups-and-downs of business life by parallel leisure pursuits—he has climbed in the Alps and Himalaya and explored all the major potholes in the Pennines.

Fell-walking, fishing and birdwatching will keep him active now that he has left the Hepworth chair.

Firth in line

Though the year is not yet over, I feel fairly secure in declaring Gerrard Leadbeater of G. M. Firth (Metals) the Corporate Sage of the Year.

In August 1980, Leadbetter said the shareholders "you will perhaps share your directors' dissatisfaction with the prevailing share price"—then 37p. At the start of this year, it had sunk to 32p. And now? Just 196p. to make G. M. Firth (Metals) the best-performing share of the year among companies with a market capitalisation of under £30m. The full leaders and laggards table appears in tomorrow's paper, incidentally.

How was the Firth miracle worked? An important ingredient, I fancy, was the interest of Slater Walker alumnus Ian Wasserman. As to what else is supporting a prospective fully-taxed p/e of 107.8, I refer you to my learned colleagues on the companies pages.

Rooke's rest

The appointment of Kleinwort Benson vice-chairman Martin Jacomb as a part-time member of the British Gas Corporation marks the beginning of Energy Secretary Nigel Lawson's quiet reshaping of the Board to weaken the grip of the industry's professionals.

Jacomb comes in as an additional non-executive member just as the balance is about to be tilted further away from the full-timers by the departure of Geoffrey Roberts, external affairs, and Bryan Smith, marketing, who have spent their working lives in the industry. Their positions on the Board will be abolished.

Sir Denis Rooke will then preside over a Board equally divided between the industry's own men and outside industrialists, bankers and former union leader Lord Scanlon.

The move squares with more general Government attitudes towards the nationalised industries, but Rooke's spirited opposition to Lawson's privatizing zeal adds a touch of piquancy.

Lost for words

Nothing I have seen sums up the Westminster-Whitehall view of Government assistance to ICL quite so succinctly as a lengthy exchange between Public Accounts Committee chairman Joel Barnett and the Industry Department's permanent secretary Sir Peter Carey minuted, by numbers, in the PAC report yesterday.

Chairman
3151 * * *?
(Sir Peter Carey) * * *
3152 * * *?
(Sir Peter Carey) * * *

The unprintable repartee goes on for another 14 lines before Barnett asks about the level of ICL borrowing next year. Sir Peter cautiously replies: * * *

Exhausted?

Most promotional invitations try to persuade one that they are offering the "coming thing"—a different approach is taken by the directors of Ivor Hill Limited, who "cordially invite" one to "test-drive the exciting Maserati Merak SS."

Observer

POLITICS TODAY

More than a whiff of 1956

By Malcolm Rutherford

ON MONDAY evening I went to a party at the Soviet Embassy in London. "What," said the Ambassador, "are the papers going to lead on tomorrow—Poland or Israel?"

There has been more than a whiff of a re-run of 1956 in the air this week, or 1956 in reverse. A quarter of a century ago, the British and French went into Suez and the Russians went into Hungary. This week there was the military takeover in Poland and—the next day — the Israeli Government announced its intention of formally annexing the Golan Heights.

Twenty-five years ago, the reaction were much more emotional than today's. Anyone who was around at the time will recall the impassioned debates about whether the British and French were right and the simultaneous, and perhaps rather contradictory, condemnation of the Soviet action in Hungary.

With hindsight, we know that neither outcome was quite as bad as it might have been. The Hungarians gained a kind of economic freedom under the leadership of Janos Kadar, provided that they accepted Soviet hegemony in foreign policy.

The British and French came to realise, more or less, that their role as world policemen was over, yet went on to make new friendships in the Middle East, if not with each other.

This week the reactions have been quieter. True, events in Poland fall short of a direct Soviet military intervention, so maybe the climax is still to come. And the Israeli flouting of any kind of international law has taken place, so far as one knows, without an extra shot being fired, so that you could say that nothing much has changed. But it has.

Practically all comparisons are superficial, especially when space is limited. Yet to summarise: the world after 1956 did have a certain order; there were rules of which the superpowers took note. There was an East bloc and a West bloc, and the European members of the Westbloc continued to improve relations with each other while cementing their alliance with the United States.

To be sure, there were upsets along the way. The Soviet intervention in Cuba was a conspicuous example in terms of superpower relations. General de Gaulle's decision to withdraw France from the military organisation of Nato did not seem to do much for the Atlantic Alliance. Neither did Vietnam. The Middle East was unstable throughout.

But there were also gains: economic growth, the final processes of decolonisation, the partial test ban treaty, the moves towards nuclear non-proliferation. While everyone knew that East-West co-operation was ragged at the edges, based perhaps more on mutual fear than mutual trust, and that West-West relations were subject to extreme sensitivities, there was at least a groping towards an attempt to see the world as a whole and to avoid undue disorder.

The business of detente came to a head in the early 1970s. There was the four-power agreement on Berlin — once the international flashpoint *par excellence*. The General Relations Treaty between the two Germanies, the first strategic arms limitation treaty between the U.S. and the Soviet Union, and the Helsinki Final Act on Security and Co-operation in Europe, which included the U.S. and Canada as signatories.

Why detente broke down will continue to be a matter for historians. Reasons that come to mind include Watergate. Mr Nixon would have been a very good American President had it not been for that. It wrecked any continuity in American foreign policy.

Another reason is the sustained build-up of Soviet military power—far beyond anything necessary to maintain the status quo and at least arguably compatible with a desire to dominate the world. The Russians have a terrible habit of insisting that the concept of the balance of power means the balance of existing forces. Thus, if their own power expands while Western power remains static, that is the new balance. It makes life difficult for those seriously interested in arms control and the establishment of an international order. Sooner or later, there was bound to be an American reaction to the Russians growing militarily stronger.

Other reasons for the passing of detente lie in the economic sphere. The West has still not recovered from the shock of the two major oil price increases in the 1970s—themselves partly a result of the inherent instability in the Middle East.

There was also the re-emergence of Japan as a key industrial power and, perhaps even more important, the emergence of the newly-industrialised countries such as South Korea. In a world of growth new, and cheaper, producers could possibly be coped with. In the 1960s the Western countries did not face serious industrial competition, except from within their own ranks. There was at least the semblance of an agreed economic system. Today the new competition, plus the slowing down of growth, have made Western governments increasingly look over their shoulders at their own electorates and domestic employment levels. There, again, internationalism has declined.

Of course, it is arguable that even when the pursuit of detente and of some kind of international order was at its height, it was still inadequate. Insufficient account was taken of the Soviet tendency to take advantage of any weakness shown by the West. Angola was an obvious case. Arms control negotiations were not comprehensive enough.

Above all, perhaps, there was too little notice of newly emerging problems: for example, the fact that there were some critical non-signatories of the non-proliferation treaty, the emergence of North-South issues which had little to do with the old East-West system, the possibility of recurrent threats to energy supplies and the reality that Middle East instability rumbled on.

Some of that is hindsight. But I do not think that the central thesis can be denied: there was an attempt at world order in the 1960s and early 1970s, some of which, admittedly, was aimed at prolonging an early post-war system by other means. It is practically non-existent today.

The question is what can be done about it. It is being said in Western Europe, particularly in London, that a certain amount of progress has been made in the last few months. For instance, President Reagan has now got his act together and is going for arms control with the Russians in a big way. There was considerable European input into that position, and it is an entirely welcome advance.

Two dialogues have been more or less resumed: one between the Americans and the Russians and the other between the West Europeans and the U.S. Yet one wonders if these alone are enough.

The most striking fact about the events this week is the impotence of the superpowers and their respective alliances. Nobody serious would believe that the Russians want to invade Poland. They are as aware of the problems as anybody else. Invasion would not help the Polish economy. It might provoke an international crisis of major proportions, and the Poles might resist.

As a Soviet diplomat remarked: "I don't like to sound like Mrs Thatcher, but the Poles really ought to realise how much they've gained and go back to work." It was the same comment that one heard repeatedly in Hungary a couple of weeks ago. In other words, the situation is out of hand.

Equally in Israel: it is very unlikely that the Americans put up Mr Menahem Begin to annex the Golan Heights. It was a folly of his own doing. In the irresponsibility of his behaviour, he seems to be very little different from Colonel Gadaffi in Libya, though more dangerous because of where he is. Even the Russians, who have something to gain from Middle East instability and from American peace plans going wrong, must now be slightly alarmed about what is going to happen next.

And that really is the heart of the matter. No-one is in control any more. Few people have any idea of what an international system should be. It is very strange that, more than 35 years after the end of the second world war with all the developments there have been in communications and technology, in this respect we seem to be going backwards. If you speak of greater international co-operation, a new world order, the role of the United Nations —which now has a new Secretary-General from Latin America—you are likely to be accused of being reactionary, idealistic or both.

It is something that the arms control talks between the Americans and Russians should have started in Geneva, but it is a bit like going back to old ways without realising how much the world has changed in the meantime.

The Russians, the East bloc, have far more problems than we have, one of the chief of them being a political system that does not easily allow for peaceful change. But some of their problems are the same as ours: doubts about energy supplies, what to do about Poland and instability in the Middle East.

The official British reaction this week has been rather encouraging: it has been to stress the need to encourage further co-operation within Western Europe in order to exercise collectively greater influence on Washington. That is the great difference from 1956 when the British tended to think that they could influence Washington alone.

But there is still a long way to go. If there is not an agreed attempt at establishing a better world order, I suspect that the Western alliance will continue to fragment.

It is worth looking at it from a German, or central European, point of view. The only justifications of the present division of Europe are either cold war, which we thought that we had got out of, or progress to detente. Someone needs to give a lead, for if the latter is irrevocably lost, I suspect that all the old central European problems will re-emerge. It is not a comforting thought that that could happen more or less at the same time as chaos in the Middle East.


New York Herald Tribune
European Edition
Soviet Army Crushing Hungarian Revolt; British, French Troops Embark at Cyprus
Leaflets Warn
FINANCIAL TIMES
Tuesday December 15 1981
NEWS SUMMARY
Weather causes
Wall St off 15; Gold
Israel move to annex Golan Heights criticised by U.S.
U.S. suspends shipments of food to Poland

Lombard

Contradictions of UK trade policy

BY PAUL CHEESERIGHT

MR JOHN BIFFEN, the Trade Secretary, is trying to pull trade policy on to the political stage. This is not surprising. The trade figures have generally been encouraging, seen against the background of economic woe. Every export order won safeguards more jobs and there have been some very big orders lately.

"Firm orders from the major overseas projects valued at £10m or more in which the Government has had some involvement have totalled over £5bn during the last 18 months, with the British content worth about half that total," Mr Biffen said in a speech this week.

No matter if the Government involvement has sometimes been rather costly—over £1bn in subsidising export credits over the last three years, for example. Better, Mr Biffen argues, to sustain employment by supporting exports than by spending directly on domestic employment protection.

The Government has been bringing its support to bear aggressively, especially in the developing world and in Eastern Europe, and putting it behind bids to win major project business, where the employment spin-offs at home are large. A £1.25bn Davy Corporation steel plant contract in India is expected to generate 50,000 man years of work.

This aggression is consistent with the Government's domestic policy of encouraging the creation of jobs in competitive industry. But Mr Biffen's difficulty is that this part of trade policy is inconsistent with other parts designed not to create but to protect jobs.

The base of the general policy is that as the UK exports in goods and services 30 per cent of its gross domestic product, it is in its interests to maintain and in certain cases expand the open trading system. But practically the open trading system is not pure—nations have to take into account domestic pressures. Therefore there have to be departures. Hence the rigid attitude on textile imports, support for EEC steel import constraints, voluntary restraint agreements at industry level on Japanese car and van sales.

This raises three obvious snags which suggest that Mr Biffen is having problems in squaring the trade policy circle. They all stem from the notion that the open trading system—designed to enhance prosperity by fostering competition—is convenient when exporting but something which may be pushed aside when importing.

The first is that the Government's export aggression is directed at least in part towards those countries which are themselves hurt by the UK rigidity on, for example, textile imports. Indonesia last year made it plain that if the UK could be difficult about buying its trousers then it would refuse to buy UK chemical plant. In other words, jobs saved in one area can be lost in another.

If the UK expects to win major orders in developing countries then it must expect to open its borders to the goods which they sell. In the longer run the ability of the developing countries to buy is dependent on their ability to sell.

The second snag relates to Government policy on inflation. This, it is said, is the root of economic evil; eliminate it from the system and then industry will have the conditions to sustain expansion. In that case, the protection of industries which cannot produce at competitive prices makes sense only in immediate political terms. The antidote to the rundown of 19th century industries is not protection but internal adjustment.

The third snag relates to uncertainty about just how far Mr Biffen is prepared to go in departing from the open trading system: "Occasions may arise in the future which could necessitate other temporary restrictions or voluntary restraint arrangements," he said. This could be construed as an open invitation to any industry under strain to seek protection.

Each successful demand for protection encourages the next. Temporary arrangements become permanent, as in the case of textiles. Each arrangement chips another piece off the open trading system. Is that in the interests of what Mr Biffen calls "the most export-orientated economy among the leading industrialised nations?"

Letters to the Editor

Communications developments and Home Office

From the Chairman, Mobile Radio Users' Association

Sir,—There have been a number of articles in the Press recently supporting direct satellite broadcasting. Yet, the reception of such broadcasting could theoretically be prevented by the Wireless Telegraphy Acts. Unsuccessful action was taken against the radio pirates on this basis.

Public opinion regards the freedom to listen as a basic extension of our freedom of speech — whether it is our rights to listen to Radio Luxembourg or the Russians' rights to listen to the BBC. Similarly, satellite TV must also be free, moreover, such transmissions have wider implications for British industry and commerce.

During the past five years the radio regulatory department of the Home Office has virtually blocked all development in radio communications by a totally negative frequency allocation policy. It is its intention to virtually block satellite broadcasting in the foreseeable future.

Since the radio communication and information technology industry is virtually unaffected by world recession, the only effect of this Government policy has been to frustrate new employment on a substantial scale in a growth area which is booming in virtually every other developed country. Not only the land communication users are complaining, but the BBC has been frustrated in its efforts to obtain frequencies for FM broadcasting; the marine and air operators are unhappy; the energy industry and the local authorities are in revolt and even the ordinary public who wish to use CB radio have found themselves allocated a useless band that does not conform with any international standards and which interferes with the police and fire brigades.

Over the years, the Independent Broadcasting Authority has realigned or changed many of its programme contracts, usually for non-programming reasons. Therefore, between the BBC and the ex-programme contractors, there is more than enough talent and management expertise to run satellite broadcasting channels. These channels could certainly be re-radiated locally for conventional TV sets using the old 405 line frequency bands, brought up to date on 625 standards.

The interest that the communications industry has in direct broadcast satellite TV is that it transforms a business which is built round single expensive installations into a mass production business. This will reduce the price of all the elements so that satellite communications can be used on a much broader basis commercially at home and abroad for export reasons as the price becomes economic.

W. K. Stevenson.
P.O. Box 15,
London, SW1.

Credit card surcharges

From Mr S. Black

Sir,—While you say, quite rightly, that market forces should play a part in determining credit card costs, this already takes place when the retailer makes a commercial decision to take on a credit card franchise. If he decides to do so, he presumably believes that the franchise will bring in additional revenue to make it worth while.

In turn, the credit card companies determine the level of commission charge by considering how much their service is worth to the franchisee. It is patently untrue to paint a picture of the struggling retailer having to part with a substantial slice of his meagre profit to the credit card company.

All that is happening is that the retailer makes a decision to attract additional sales by accepting a credit card, in the full knowledge that these sales (which otherwise he would not have) will attract a smaller margin of profit. This is therefore little different to the practice in numerous industries of offering a discount for bulk purchase—no-one suggests that these discounts are subsidised by the smaller purchaser.

There are other benefits to the credit card franchisee in that he carries a smaller amount of cash, thereby reducing his security risk, and as a consequence of dealing in smaller volumes of cash and cheques his bank charges are likely to be reduced.

The basic fact that appears to be overlooked in the whole argument surrounding credit card charges is that no one forces the retailer to offer credit card facilities in the first place.

S. J. Black.
Lower Grove Cottage,
Mursley Road,
Little Horwood,
Nr. Milton Keynes, Bucks.

The terms must be complied with

From Mr P King

Sir,—Further to Mr Brodrick's letter (December 15) regarding late payments under letters of credit, I should like to explain the principal reason behind these delays.

In my experience, as manager of the documentary credits department of a leading merchant bank, the main reason for claims not being paid on first presentation is that the documents presented are not in accordance with the terms and conditions of the letter of credit.

The overwhelming impression gained is that the average exporting company does not pay sufficient attention to this particular aspect of its business. All their effort seems to be spent in obtaining overseas contracts and the clerical staff employed by them are not of sufficient quality to be able to provide the bank with the correct documents.

After all, the documentation called for has been agreed between the parties to the contract and should not come as a total surprise. This lack of attention in the preparation of documents is costing the companies involved both time and money, particularly in this period of high interest rates.

P. J. King.
2, Langley Drive,
Wanstead, E11.

It's no use saying "we didn't realise"

From Mr A Sharpe

Sir,—If John Brodrick (December 15) was to advocate that the beneficiary (the seller) under a documentary letter of credit was to check the terms and documentary requirements on receipt of the instrument and arrange where necessary for the applicant (the buyer) to have it amended accordingly in the early days then the percentage of payments under documentary letters of credit effected by banks would be nearer 80 per cent and not 30 per cent to 50 per cent as claimed by the writer.

Having spent 18 years in banking with the past six years as manager of a documentary credit department with a merchant bank I am appalled at beneficiaries' attitudes to documentary letters of credit. Only after they have shipped the goods do they look at the requirements of the letter of credit, by which time it is usually too late to have it amended to satisfy the paying bank whose refusal to effect payment without reference to its principal brings cries of, "we didn't realise."

Would John Brodrick please note that a credit card bears no comparison to a letter of credit, but if he so wishes to compare the two, would a bank honour a drawing under a credit card (a) bearing the wrong signature and, (b) time expired? I certainly hope not.

A. E. Sharpe,
35 The Avenue
Pinner, Middx.

Marriage bureau for sponsorship

From the Chairman, Management Committee, Association for Business Sponsorship of the Arts.

Sir,—Lord Harewood (December 8) raises the topical subject of arts sponsorship and seeks to place ABSA in the role of marriage broker.

I would question his implication that there is a deep pool of money available to the English National Opera or other national arts institutions. ABSA has played its part in encouraging the growth of business sponsorship of the arts to perhaps £6m a year. It is and has been a long, hard, educative process. There is no magic pot of gold—or any right or obligation attached thereto, unless business principles are first observed. Business is shy of new expenditure at the moment.

ABSA is a trade association formed to help make sponsorship more attractive to its members. Its interests are now perceived increasingly in the wider social context of the encouragement of sponsorship outside the membership and the education of arts organisations in the objects and methods of sponsorship.

For ABSA to take on the role of marriage broker would require greatly increased resources and a change of philosophy. Money could come from sponsors, arts organisations, Government or commission. For varying reasons the first three are improbable. Receipt of commission for marriages arranged would involve a change of philosophy.

There are already advertising and sponsorship agencies acting usually for business, because business pays their fees, which arts organisations can rarely afford. If we follow this route then surely ABSA will become just another sponsorship agency and lose its integrity of advice.

Lord Harewood's objective is a sound one, to facilitate the meeting of sponsors and arts organisations. It is also encompassed within ABSA's objectives. It is not the concept which I dispute but the method.

If Lord Harewood feels that the ENO and other like organisations are not being introduced to enough rich businesses, then surely his first step should be to overhaul the methods by which ENO seeks sponsorship.

N. A. S. Owen.
26-28 Sackville Street, W1.

Redman Heenan turns in £2.03m loss but maintains dividend

DESPITE AN improving trend in the second six months, Redman Heenan International, the Worcester based group of specialist engineering companies, incurred a pre-tax loss of £2.03m for the year to September 31 1981, compared with a profit of £2.88m previously. Turnover was down nearly 25 per cent from £42.11m to £31.84m.

At the interim stage, a pre-tax deficit of £1.5m was reported, against a profit of £1.09m last time.

At the trading level, there was a turnround for the year from a profit of £3.19m to £0.94m losses. Pre-tax figures were after charging sharply higher redundancy and reorganisation costs of £793,000 (£119,000) and interest charges of £306,000 (£221,000).

In announcing the results, the directors say they have "considered the question of dividends very carefully and have come to the conclusion that despite the fact that losses were incurred for the year as a whole, the underlying technical strength of the group has improved, the balance-sheet remains strong and confidence in the long term is undiminished."

They are therefore maintaining the final dividend at 2p net per share, which holds the total for the year at 4.2p. Stated loss per share was 12.9p (14.3p earnings) on a net basis and 11p (15.3p earnings) on a nil basis.

After tax up from £173,000 to £344,000, principally ACT written off, minority debits of £14,000 (nil) and extraordinary debits of £426,000 (£244,000 credits) mainly relating to further reorganisation costs, the attributable deficit came out at £2.81m (£2.92m profit).

On a current cost basis, there was an attributable loss of £3.53m (£1.64m profit).

The directors state that although an improving trend in the rate of order intake was detected earlier in the year, this petered out after the national budget and trading conditions in the final quarter were little or no better than a year earlier.

● comment

Yesterday morning Redman Heenan's shares lay slumped on their low for the year, yielding 15 per cent in anticipation of a dividend cut. In the event, Redman turned in a small trading loss for the second half—rather than the profit which had been expected—but maintained the dividend. So the shares picked up 4p to close at 44p. The reasons for making a bullish gesture are loss-elimination, some tentative signs of recovery in the order book and a strong balance sheet. Long lead times mean that some of the forecast revenue will not be taken until the second half of 1982, but *meanwhile cost reductions* should amount to some £2m for the year, suggesting that Redman will be in the black before long. Although there are several new products with which the group hopes to pick up extra market share, it remains sensitive to the overall lack of demand. As a supplier of intermediate engineering products, there is comparatively little it can do to bring volume back to more profitable levels; what it needs is a larger flow of production in customer companies like Dobson Park. And that means higher final demand from places like the NCB.

SPAIN

Dec. 17	Price %	+ or −
Banco Bilbao	331	
Banco Central	322	
Banco Exterior	303	
Banco Hispano	325	
Banco Ind. Cat.	115	
Banco Santander	347	
Banco Urquijo	210	
Banco Vizcaya	348	
Banco Zaragoza	210	
Dragados	120	−3
Espanola Zinc	60	
Fecsa	63.7	+0.2
Gal. Preciados	40	
Hidrola	73.5	−0.7
Iberduero	58.2	−0.3
Petroleos	88.7	−1.3
Petroliber	104	
Sogefisa	40	
Telefonica	70.5	−0.5
Union Elect.	70.5	−0.5

Minet jumps 104% at nine months

ALTHOUGH FIGURES were somewhat distorted as a result of changes in the status in certain African companies during the third quarter of 1981, taxable profits of Minet *Holdings*, Lloyd's and general insurance broker, for that period jumped from £1.22m to £4.76m and lifted the nine months' figure to £10.58m, compared with a previous £5.19m—a 104 per cent increase.

Turnover rose from £25.65m to £33.48m for the nine months.

Mr John Wallrock, chairman, says he expects materially better results for the full year than he previously indicated—for the whole of 1980 pre-tax profits amounted to £5.68m, from turnover of £35.25m.

After six months, profits were £6.3 per cent ahead at £5.81m (£3.97m).

Profits for the nine months last time were after an exceptional debit of £297,000.

● comment

Minet's third quarter verges on the astounding; profits before tax are nearly four times greater than in 1980. That said, it is a weak quarter normally, and therefore very highly geared; quite moderate increases in revenue can send profits rocketing. What is more, there has been a further advantageous softening of sterling, making the total swing on currency worth £1.8m to Minet at this stage. But *last year's attack on the expense ratio is bearing fruit*, not least in terms of better interest receipts, and *broking income is* higher in all markets outside the U.S. The final quarter of 1980 saw the beginning of operations on a lower cost base, was correspondingly profitable, and therefore will be more difficult to surpass. Even so, it seems likely that Minet will reach £15m for the year, making yesterday's 138p (up 9p) equivalent to 10 times prospective fully-taxed earnings. At this price, the shares are fairly enough valued, bearing in mind that Minet's undoubted success in collecting UK retail business will probably do little for earnings quality in the long run.

Distillers falls £11.8m in first half

DEPRESSED TRADING in the *six months ended September 30* 1981 has left the Distillers Company with taxable profits behind at £66m against £77.8m, and directors say the figure for the full year must be expected to fall below the £181m for 1980-81.

The interim dividend is maintained, however, at 3p net per 50p share.

The directors say the upturn in shipments, which it was anticipated would follow the depletion of the excess stocks held by distributors at the beginning of the year, was disappointingly slow in coming and that volume targets, which a few months ago appeared to be attainable, will not be achieved.

In September the directors said they saw no likelihood of a sales volume increase, but looked for an improvement in results for the 1981-82 year.

Turnover of this company, products of which include Johnny Walker Scotch whisky and Gordon's gin, for the first six months increased from £437.5m to £463.6m, and was split into: UK sales, excluding duty, £115.9m (£117.1m); other markets £221.6m (£209.9m); duty £126.1m (£110.5m).

Above the line, income from investments totalled £3.7m (£3.6m), finance charges doubled to £2.4m (£1.2m), the loss of £2.3m (nil) by its associate, United Glass, a surplus of £1.2m on the realisation of investments last time, and exchange gains of £1.4m, against £0.1m.

After a tax charge of £21.6m, compared with £23.8m, and minority interests of £0.2m (nil), the attributable balance came through at £44.6m, against £54m previously.

Stated earnings per share were 12.28p (14.87p)—on a CCA basis the pre-tax figure is reduced to £25.2m (£34.6m) and earnings per share are given as 1.6p (3.74p).

The extent to which distributors of the group's scotch whisky and gin brands in export markets stocked up during the early months of 1981, in anticipation of price increases, brought a particularly strong finish to last year, the board explains. "As a consequence trading in the six months under review has been correspondingly depressed."

The food and carbon dioxide interests together maintained their position compared with last year, but United Glass continued in the loss which developed in the second half of the 1980-81 year.

See Lex

HIGHLIGHTS

Lex looks at the full set of money supply figures for the banking month of November which show an exceptionally high level of bank lending to the private sector, before moving on to consider the results of four major companies. Distillers has announced a disappointing set of figures and it now looks as if profits will be down rather than up as earlier indicated. English China Clay's half time warnings of lower profits have proved to be unfounded due to the achievement of substantial economies in production. Unigate's first half figures bounced up from £14½m to £20m while AE (formerly Associated Engineering) has returned to a very small level of pre-tax profits in the second half and has paid a final dividend having passed the interim.

Vaux Breweries 13th year of improvement

DESPITE WHAT Mr Paul Nicholson, the chairman, describes as "tough trading conditions," Vaux Breweries achieved its 13th successive increase in pre-tax profits. For the 53 weeks to October 3 1981 the figure was £9.49m, a 9 per cent increase compared with the previous 52 weeks total of £8.71m.

Turnover of this Sunderland brewer improved from £81.7m to £86m. *The previous year's figure*, however, included £8.85m from Lorimer's Breweries which was sold in *February 1980*.

The final dividend is raised from 4.62p net to 5p for an improved total of 7.5p (6.832p).

He says it is difficult to make any meaningful forecast due to the recession. The current year has not started well and there is evidence of a further downturn in sales and increasing pressure on margins.

Mr Nicholson says most of the pre-tax increase came in the first half (£3.42m against £2.73m) when financing costs were lower following the sale of Lorimer's. Full year interest charges were £19,000 compared with £297,000. Tax took £1.42m (£1.98m), leaving attributable profits up from £6.73m to £8.07m.

After preference dividends of £126,000 (same) and non-trading items after tax, £439,000 (£76,000), profit available for ordinary shareholders was £8.39m (£6.68m). Dividends absorb £2.41m (£2.3m) resulting in £5.97m (£4.48m) being retained. Stated earnings per 25p share were 24.6p (20.6p) and 13.7p (12.7p) fully taxed.

Mr Nicolson says it is not surprising, in the current recession, that the company has sold less beer, although it has increased sales of wines and spirits. In 1980, just under a quarter of the group's profits came from Swallow Hotels, and with the very difficult conditions prevailing, this company has done better than most in limiting its fall in profits.

Shareholders' funds at the year-end improved from £77.55m to £83.33m.

On a CCA basis, pre-tax profits were £6.55m (£6.69m).

Because of difficult trading conditions, Vaux has reduced substantially the sums it had proposed to spend on development.

Developments during the year cost £14m, of which £8.5m came from retained earnings and depreciation, and the balance from re-investing proceeds from the sale of Lorimer's and other assets.

A new canning line was built in Sunderland at a cost of £3m and has been commissioned in time to take advantage of Christmas trade. The group has reviewed its longer-term plans to rebuild much of the main Sunderland brewery and the time-scale for further major spending on it will depend on when recovery becomes more certain.

It has made a first instalment of £100,000 of its 20 per cent investment in the new company due to acquire the North East independent television contractor—Tyne Tees Television Holdings, on January 1 1982.

● comment

Vaux's pre-tax profits, aided by reduced finance charges, are up 11.5 per cent after stripping out Lorimer's 1980 figures and adjusting for the longer year. The volume loss in beer of about 6 per cent, greater than the national average, reflects the depressed state of the North East, where Vaux has about 75 per cent of its trade. Within this area Vaux claims bigger market share. There has been a 10 per cent reduction in the workforce, but this has not involved compulsory redundancies. Vaux's increased sales of wines and spirits reflects its drive in the off-licence market, which has been sustained at very low margins. The completion of a £3m investment in a new canning line should enable Vaux to compete more effectively. It has spent £14m on capital investment against a cash flow of about £8¼m, but intends to operate more conservatively next year. The hotel division's pre-tax profits are down by 5.5 per cent, due to a similar fall in occupancy, but bookings have picked up in the past two months. Vaux is seeking to diversify away from its depressed area, but the recent U.S. acquisition of the Koch brewery is having teething problems and is not expected to show a profit next year. At 138p the shares yield 8 per cent, with a P/E fully taxed of 9.6.

Paterson Jenks leaps to £0.64m

TAXABLE PROFITS of Paterson Jenks advanced sharply from £130,000 to £641,000 for the six months to September 26 1981 on turnover also well ahead at £12.76m, compared with £8.9m.

At the AGM in September the chairman said he expected a satisfactory profit performance for 1981-82 and says that the company is *benefiting* from the acquisition of Schwartz Spices and the reorganisation into separate *trading* divisions, as expected.

The pre-tax surplus for the *half-year* was struck after lower interest of £12,000 (£223,000), reflecting the continuing low level of borrowings. There were no associate earnings (£177,000).

Tax took £252,000 (£65,000) leaving the attributable profit at £389,000 (£3,000 after an extraordinary debit of £59,000).

Half-year stated earnings per 25p share were well ahead at 3.4p (0.76p) and the net interim dividend is effectively increased to 0.625p (0.54p)—an equivalent final of 1.34p was paid for 1980-81.

Paterson Jenks manufactures and distributes chicory and coffee essence and food products.

Carlton Real Estate calls for £0.57m

Carlton Real Estates, which was introduced to the Unlisted Securities Market in September, is raising a net £575,000 by way of a rights issue of one new ordinary share at 15p for every three held on January 4. In the market the shares fell 2p to 19p. Holders of the 10 per cent convertible debenture stock will be offered 147.69 new ordinary shares for every £100 nominal held.

The directors have undertaken to take up their entire entitlement amounting to 739,470 new shares—18.1 per cent of the issue. The remainder has been underwritten by brokers Laing and Cruickshank. The proceeds are to enable the company to expand its refurbishment and development programmes and to take advantage of new development opportunities that have arisen.

An extraordinary meeting to approve an increase in capital will be held on January 1. Dealings in nil paid form are expected to begin the following day and the final date for acceptances is January 2.

ARGYLL FOODS BUYS LONDON TEA

Argyll Foods has acquired the goodwill and trade names together with the stocks, machinery and equipment of The London Tea and Produce company (in receivership) for around £450,000 in cash, subject to final adjustment in respect of stocks.

London Tea has developed a *reputation for its range of teas* distributed principally under the names of "London Tea and *Produce*" and "*London Pride.*" Its products are well represented in the south of England and the *Midlands. In addition, it has a* significant export business.

Through its subsidiary Gold *Crown Foods*, Argyll is engaged in the blending and packing of a range of tea and coffee products.

Trustees Corporation edges higher

Net revenue of the Trustees Corporation edged ahead from £1.46m to £1.48m for the half year to November 30, 1981 after tax of £700,987, against £692,731. *The net interim* dividend is the same at 1.1p—last year's final was 1.85p. Total revenue rose to £2.63m (£2.5m), but expenses took more at £449,290 (£345,486). At *November 30 net asset value* per share was 97.4p, compared with 101.9p at May 31, 1981, after deducting prior charges at par.

IBA reveals holdings of Central TV applicants

The Independent Broadcasting Authority yesterday confirmed the award to **Central Independent Television** of the progamme contract for the East and West *Midlands* area for the period beginning January 1 1982.

The IBA has also approved the identities of applicants for 49 per cent of the capital of Central TV. In addition to Associated Communications Corporation as holder of 51 per cent of the shares, D. C. Thomson (publishers of the Dundee Courier) will hold 15 per cent and the Ladbroke betting and leisure group 10 per cent—each of these companies has been invited to nominate someone to the Central Board.

Other significant shareholdings will be held by Mr Robert Maxwell's Pergamon Press/British Printing Corporation with 8 per cent, Prudential Assurance 5 per cent, Legal and General 2 per cent, and British Rail Pension Fund 2 per cent.

The balance of the capital has been allotted to nearly 1,000 investors of which around half are from the Midlands, each holding less than 1 per cent, including over 200 members of the staff of Central.

It is understood that the individuals to be nominated by Thomson and Ladbroke, who are *acceptable to the IBA* and the board of Central, will be Mr D. B. Thomson, an executive *director of D. C. Thomson* and Mr J. B. H. Jackson, a non-executive director of Ladbroke.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
AE	1.4	March 1	1.37	1.4	3
Blantyre Tea .... int.	2	Feb 11	2	—	5
British Steam .... int.	2	Jan 16	2	—	5.25
James H. Dennis ... int.	Nil	—	Nil	—	1.4
Distillers .... int.	3	Feb 26	3	—	10.75
Doranakande Rubber int.	1	Jan 29	1	—	3
English China Clays	4.5	April 7	3.5	7.2	6
G. M. Firth .... int.	1.5	—	1.5	—	3
Redman Heenan	2	—	2	4.2	4.2
Johannesburg Cons. ¶int.	130	Feb 15	130	—	600
Arthur Lee	0.44	Feb 26	Nil	0.44	0.44
Marston Thompson int.	0.7	—	0.63	—	1.8
Notts. Brick	4.62	Feb 19	4.62	6.62	6.62
Paterson Jenks ...... int.	0.63	—	0.54*	—	1.88*
Plysu .... int.	0.75	Feb 4	0.62*	—	1.89*
Sidlaw	7.5	Feb 16	1.5	10	3
Sonic Sound Audio	2.24‡	—	—	4.48	—
Syltone .... §int.	3.6	Feb 9	1.8	—	9
Trustee Corp. .... int.	1.1	Feb 2	1.1	—	2.95
Unigate .... int.	2.5§	April 1	2.2	—	6.2
Vaux Breweries	5	Feb 12	4.62	7.5	6.83
Whessoe	5	Jan 30	Nil	8	Nil

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ As forecast in January prospectus. § Increased to reduce disparity. ¶ South African cents throughout.

THE TRING HALL USM INDEX
116.7 (+0.4)
close of business 17/12/81
BASE RATE 10/11/80 100
Tel: 01-638 1591

CORAL INDEX
Close 515-520 (−1)

OIL INDEX
January Refined $43.05
March Refined $42.50

The Royal Bank of Scotland Group Limited

THE profit for the year to 30th September 1981 has been achieved against a background of lower average interest rates and a higher volume of advances. The results reflect a much better second half performance than anticipated earlier in the year, due to a number of factors including higher net interest earnings and commission and fee income, and a reduction in the charge for bad and doubtful debts.

The range of customer services has been developed further during the year by both member banks. Growth in the domestic business of The Royal Bank of Scotland has been satisfactory, but the combination of depressed economic conditions and the continuing intensity of banking competition in Scotland has made it all the more difficult to obtain profitable new business. The enlargement of the branch network of Williams & Glyn's Bank has proceeded on schedule and the free banking arrangements introduced during the year for personal customers who remain in credit have been widely welcomed.

Against a background of general economic gloom it is hardly surprising that large numbers of basically sound businesses have had to struggle hard merely to keep going. In common with the other major banks in the United Kingdom, we in the Group are endeavouring to the best of our ability to assist in supporting those of our customers who are in temporary difficulties until not only their survival but a secure future is ensured. Evidence is now starting to accumulate that the decline has at least levelled off, with industrial output showing some signs of revival. But if we are to achieve any lasting benefit from this painful recession, we must realise the potential productivity gains which have been won at the cost of a high level of unemployment.

In Scotland what information is available suggests that the recession has been weathered with slightly less difficulty than the rest of the UK and there have been some areas of genuine improvement, particularly from the electronics industry. Oil and gas production from the North Sea is substantially above the levels of a year ago.

Among banking developments in the year the retrospective levy on banks' non-interest earning balances will cost the Group some £16 million. This tax establishes a dangerous precedent and reduces the amount of reserves we have available to support our customers in these difficult times.

Salient Figures

	1981	1980
Profit before taxation	**£107.9m**	£102.5m
Profit attributable to ordinary shareholders	**£78.3m**	£73.5m
Earnings per 25p ordinary share	**29.7p**	30.7p
Earnings per 25p ordinary share after exceptional item*	**41.9p**	30.7p
Dividends per 25p ordinary share	**5.4p**	4.9p
Total assets	**£7,763m**	£6,147m

***Exceptional item: £27.5m of the provision made in previous years for deferred taxation in respect of leased assets is not required and has been credited in the profit and loss account.**

The Future of the Group

The future of the Royal Bank of Scotland Group remains uncertain. The three month extension granted to the Monopolies and Mergers Commission to complete their investigation into our proposed merger with Standard Chartered Bank Limited and the proposed takeover by The Hongkong and Shanghai Banking Corporation has merely prolonged the uncertainty. Nevertheless, we welcome the obvious care which the Commission is showing in examining all the factors involved.

We have submitted to the Commission a detailed case explaining why we feel that a merger with Standard Chartered would be in the UK public interest. Indeed, we consider that the benefits resulting from the creation of a major UK sterling-based banking group – a new fifth force – operating under and supervised by our own monetary authorities would be a positive advantage to this country and to British banking.

As a result of the merger, the Royal Bank Group would be a true partner in a worldwide banking operation, enabling its Scottish banking subsidiary, The Royal Bank of Scotland, to compete on an equal footing with those non-Scottish banks which have appeared in Scotland over recent years. The merger would not detract from the importance of Edinburgh as a financial centre, since control over all banking decisions affecting Scotland would remain with the Royal Bank at its Edinburgh headquarters. At the same time Williams & Glyn's Bank would be enabled to continue its exciting branch development programme south of the border. Customers of the Royal Bank Group would benefit from the increased range of services which the new group could offer and opportunities for staff would also be enhanced.

On the other hand, the board of the Royal Bank Group do not consider that such benefits would accrue if we were to be taken over by the Hongkong and Shanghai Bank which is based and controlled in a different environment on the other side of the world. If that should happen, it remains our belief that the most important strategic decisions affecting our Group would have to be taken in Hong Kong and not in the UK.

Throughout this long drawn out investigation, we have directed our efforts towards securing a result which will be to the ultimate benefit of all our shareholders, customers and staff. It is impossible to foresee the outcome of the Commission's deliberations, but we await the announcement of the Government's conclusions so that the present uncertainties cease to affect the development of the business and activities of the two member banks of the Group.
I am sure, too, that all our staff will welcome an end to the uncertainty, which even though it inevitably must have had a disruptive effect has not interfered with our satisfactory progress over the past year.

Whatever the outcome, we in the Royal Bank of Scotland Group look forward to the day when we can once again, without distraction, direct all our endeavours to serving the best interests of our shareholders, customers and staff.

Michael Herries, Chairman

Copies of the 1981 Annual Report and Accounts may be obtained from the Assistant Secretary, The Royal Bank of Scotland Group Limited, 36 St Andrew Square, Edinburgh EH2 2YB.

The Royal Bank of Scotland Limited

WILLIAMS & GLYN'S BANK LIMITED

Arthur Lee back to dividends

IN SPITE of soaring pre-tax losses a healthier trend is discerned at Arthur Lee and Sons, the Sheffield-based maker of steel bars and wire, allowing it to maintain last year's reduced dividend total.

The pre-tax deficit for the year to September 30, 1981, reached £3.19m *from £92,714*, but aided by a substantial tax credit of £5.01m (£112,893) the company emerged £1.49m in the black at the attributable level, against £178,237. *This includes* the release of £2.91m in respect of stock relief no longer required.

The strength of the group's balance sheet was another factor in encouraging the directors to pay a dividend for the year of 0.44p net per 12½p share, equalling the 1980 interim which had been followed by two omissions. The total distribution for 1979 was 1.69p.

Stated earnings per share are 5.04p (0.53p).

On turnover cut from £68.5m to £50.21m, trading losses neared £3m compared with £130,057 profits, while a £198,567 share of associated company losses had to be borne, against £232,771.

The board says recent management accounts indicate that the group is again trading profitably. The benefit of steps taken, "coupled with some modest improvement in demand for the group's products," is reflected in the slowing of the rate of trading loss, which had already reached £2.65m midway.

The pre-tax figure was struck after charging £485,000 (£388,000) for redundancy and severance payments and £996,000 (£718,000) for depreciation.

Minority interests took £249,009 (£249,862 credits). After dividend payments the balance carried forward was a similar £4.39m (£4.18m).

An extraordinary debit of £86,990 — relating to closure costs of operations at Darnall and Chester, together with a further writedown of a property at Govan where production ended last year—compares with £91,804 last time.

Unigate £5.6m ahead after 6 months

PRE-TAX PROFITS of Unigate advanced strongly from £14.5m to £20.1m for the six months ended September 30 1981, reflecting largely a recovery in the group's UK dairy business from the very difficult first half of 1980-81 and the full effect of the price rise in January this year.

Turnover improved by £39m to £710m and trading profits emerged well ahead at £22.5m, against £15.8m.

The net interim dividend is being raised from 2.2p to 2.5p from stated earnings 1.8p higher at 7p per 25p share. However, it is pointed out that the increase is partly to reduce the disparity—for 1980-81 a final of 4p was paid from taxable profits of £38m.

Mr John Clement, the chairman, says the first-half figures, which also benefited from extensive efficiencies and by good performances by the non-food operations, were achieved despite *adverse economic and market* factors.

He adds that management strength and improved manufacturing facilities played a part as did a more diverse pattern of earnings which "will also help to achieve a better balance between first and second half results."

In the meat division Scot Meat's consistent unprofitability led to its closure in September. *The directors say this step was* necessary in view of the high losses which would have been incurred had this company not ceased trading.

The group will continue to support its remaining meat interests in the belief that it can surmount the current market weakness. It broadened its base in this area by the acquisition of Clipper Seafoods in April and an earlier purchase of Turners Turkeys. Both are "showing satisfactory progress."

In October the U.S. fast food chain Casa Bonita was acquired. It operates in Texas, Colorado, Arkansas and Oklahoma specialising in Mexican and Italian food.

First half group pre-tax profits, *which included associates' share* of £500,000 (£300,000), were struck after net interest charges, higher at £2.9m (£1.6m).

Tax took £4.8m (£3.4m) and after same-again minorities and preference dividends of £100,000, through at £15.2m, against £11m, out of which interim dividend payments will absorb £5.5m (£4.8m).

Extraordinary debits this time of £8.7m (nil) have been made for the cost of closing the meat *operation* at Bletchley.

A divisional breakdown of trading profits for the half year shows: milk and milk products, UK £15.9m (£8m), milk and milk *products, overseas* £1.8m (£1.9m), meat and meat products £1.3m loss (£2.8m profit), transport services £3.3m (£2.1m) and industrial services £2.8m (£1m).

At September 30 1981 net current asset stood at £66.2m compared with £61.8m at March 31 1981. Debtors totalled £169.8m (£136.4m), stocks £121.3m (£108.6m) and bank, cash and short-term investments £43.4m (£44.3m). Shareholders' funds were £309.6m (£301.7m).

The balance sheet takes account of the conversion of £1.8m of unsecured loan stock into ordinary shares.

See Lex

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Associated Tooling Industries, Baileys of Yorkshire, Bell and Sime, Peter Brotherhood, Conlinuous Stationery, Imry Property, Harold Ingram, S. W. Wood.

Finals:—Brentnall Beard, Brunner Investment Trust, Chemring, Davenports Brewery, Hardy and Hansons, United Scientific.

FUTURE DATES

Interims:—

Halma	Jan 5
Norton and Wright	Dec 21
Sterling Industries	Dec 21

Finals:—

Spencer Clark Metal Indusis.	Dec 21

Heavy engineering gives Whessoe a record

AN EXCELLENT result achieved by its heavy engineering subsidiary enabled Whessoe to swing back into the black in the year to September 26 1981. Pre-tax profits were £4.58m compared with losses of £412,000. *Turnover climbed from £73.56m* to £97.2m.

Lord Erroll of Hale, chairman of the Darlington engineering *group, says overall results were* a record, and a final dividend of 5p is recommended making the total 8p. No payments were made last year. The board is also proposing a one-for-one scrip issue.

The chairman says the current year promises to show a further appreciable increase in activity, turnover and profit.

Group trading profit soared from £3.86m to £7.16m, with heavy engineering's share increasing from £1.97m to £5.04m. Light engineering was higher at £1.21m (£733,000), but good profits by Aiton UK and Australia were reduced by losses in Canada. Trading profits of this division were down overall from £1.16m to £903,000.

The pre-tax figure was struck *after depreciation up from* £1.63m to £2.11m, lower net interest charges of £660,000 (£1.62m) and exchange credits of £320,000 (£162,000 debits). Exceptional redundancy and other costs accounted for £844,000 last time. There were tax credits of £100,000 (£14,000).

After minorities of £5,000 (£128,000) and extraordinary credits of £2.6m (£30,000), the attributable profit was £7.28m (£496,000 loss). Dividends absorb £723,000 (nil) and earnings per 25p share were 31.5p (5.8p loss).

Lord Erroll says that *following on the successful contracts* for the CEGB pumped storage scheme at Dinorwic, Whessoe Heavy Engineering has won, in collaboration with Boving, a £15m contract for similar work on the Victoria Dam project in Sri Lanka.

Commenting on the Qatar claim, Lord Erroll says Whessoe has taken advice from leading technical experts, liability is denied and proceedings will be strenuously defended. He says *no provision has been made in* the accounts.

● comment

Christmas arrived a week early for those who have stuck with Whessoe. Sharp turnrounds are not new for this engineering group but shares this time have improved by a sparkling 140 per cent in 12 months—they took on 16p yesterday to hit 158p. The bulk *of the recovery is thanks to loss-*elimination and cost cutting added to the renewed activity in the nuclear engineering field. Sharply improved cash flow has allowed the group to eliminate *short-term borrowings;* Whessoe will be in a net cash position this year. Light engineering continues to walk on water, aided by a good range of safety and cost control products. Aiton is the group's laggard due to low activity in the UK. The overall order book has expanded by 25 per cent to £250m in the year. The release of deferred tax plus retained profits have pushed up net worth by nearly 40 per cent while *net assets per share have* climbed to 266p. This explains the scrip issue which the company hopes will broaden the ownership and keep potential raiders at bay. The unresolved Qatar claim is a more powerful repellent and with it hanging the shares remain speculative. *A yield of 7.5 per cent and a* fully-taxed p/e of 6.1 provides good comfort.

Sidlaw £2m in profit—scrip

ALONG WITH a strong return to the black this year, Sidlaw Group has announced a dividend which more than restores pre-1980 levels as well as a one-for-two scrip issue.

Pre-tax profits reached £2.1m for the 53 weeks to October 2 1981 compared with £134,000 losses last year. The jute and synthetic yarns operation continued to trade at a *loss,* although much reduced—from £1.15m to £153,000—while the division providing services to the North Sea oil and gas industry improved earnings from £1.65m to £2.63m.

Overall turnover was down somewhat, from £34.15m to *£31.33m.*

A final payment of 7.5p net per 50p share is proposed, making the total 10p against 3p last year and 6.7217p in both 1978 and 1979.

Earnings per share are given as 36.32p (2.25p losses).

Borrowings have been reduced by *£2.17m after* increased capital expenditure of £3.72m, and interest charges came down from £1.07m to £714,000, enhancing the taxable surplus. Associated companies contributed £333,000 (£435,000), and there was a similarly small tax credit of £7,000 (£6,000).

Group reserves increased £9m and shareholders' funds stood at £3.18 per share by the year-end, against £1.61. Property revaluations gave rise to a surplus of £7.5m, the main factor in increasing group reserves.

Oil services have continued to expand, with the acquisition in *June of Eastern Marine Services.* The Regent Centre, Aberdeen Service Company's head office building in the harbour area, was completed in the summer and letting the remainder of the 62,000 sq ft of office space is proceeding satisfactorily.

The property revaluations arose from this and the South Bay marine base with its quay at Peterhead, the freehold of which was acquired in October.

A drastic reorganisation of the textiles division in the first half—when trading losses there reached £611,000—led to a second half of "encouraging consolidation," the board says, with its profit contribution of £458,000 not enough to offset the previous period but still "*greater than it had been prudent to expect.*"

Of the overall pre-tax profits, £256,000 came in the first half and £1.84m in the second.

Last year's extraordinary provision of £1.75m proved adequate to cover redundancy, closure and other costs associated with the contraction of textile operations. Of this, £268,000 has been carried forward to meet the final balance of these costs.

Extraordinary debits this time totalled only £9,000 against £2.16m, leaving attributable earnings of £2.11m compared with a £2.29m deficit. Dividends absorbed £579,000 (£174,000).

Skean Dhu, Sidlaw's Aberdeen-based associate in which it has a 31.4 per cent interest, *continued its programme of* hotel development but faced more difficult trading conditions.

Syltone midway upsurge

TAXABLE PROFITS of Syltone, engineering and wholesale electrical distribution concern, jumped from £319,000 to £681,000 for the half year ended September 30 1981 and the board believes for the full year, profitability will continue on much *the same level as that achieved* over the past few months.

To reduce disparity the interim dividend is doubled to 3.6p net per 25p share—last year's final was 7.2p paid from a pre-tax surplus well down at £570,000 (£1.84m).

Turnover for the six months, on continuing activities, amounted to £7.97m (£8.53m before disposals in 1980), and after tax of £276,000 (£80,000) the net balance was £405,000, compared with £239,000.

The directors say that trading profits benefited to a certain extent from the weakening of *sterling. The company has also* improved profitability with reduced manning levels—trading profit per employee has regained the level reached during the March 31 1980 year.

Better trend at Trafford Carpets

The benefits from reorganisation and major cost cutting effected earlier this year are reflected in first-half 1981-82 figures of *Trafford Carpets* (Holdings), the carpet maker and spinner and weaver of kraft yarn.

For the half year to September 30, the company has turned in a pre-tax profit of £43,000, which compares with losses of £109,000 and £65,000 for the first and second halves of last year.

However, the directors warn that current trading conditions are very difficult and they have decided to wait until the full year results are known before considering payment of a dividend. No payments have been made since 1979.

Interest charges dropped from £39,000 to *£17,000 and there was* again no tax. Stated earnings per 25p share were 3p (7.6p loss).

English China Clays recovers in second half

SECOND-HALF profits of the English China Clays group expanded from £21.44m to £26.79m pre-tax, and left this St. Austell, Cornwall, *based concern* ahead at £41.69m for the year ended September 30 1981, against a previous £40.51m. External sales increased from £332.4m to £345m.

At midway, with pre-tax profits down at £14.9m (£19.07m) the directors, who had said in January that profits were unlikely to match those of 1980-1981, stated that this appeared inevitable, but the gap might not be as wide as feared.

They explain now that they underestimated economies that were in the event achieved in satisfying a lower demand from the more modern of the group's *facilities,* with a reduced number of employees, and by a more efficient programme of production.

These measures more than compensated for the lower volume, the directors state; profit was also helped by favourable year-end exchange rates.

Taxable profits were divisionally split as to: clay £28.27m (£25.52m); quarries £7.21m (£9.95m); building — construction £1.93m (£502,000) and leisure £692,000 (£1.12m); transport and services £3.6m (£3.42m).

Pre-tax figure for the year was after £17.32m (£15.88m) depreciation, and £2.78m (£2.97m) in *respect of costs of the group's* early retirement scheme.

Tax took £13.85m, compared with £10.81m, which left the net attributable balance behind at £27.84m, against £29.7m.

Earnings per 25p share are down from 18.4p to 17.22p, but the dividend is stepped up to 7.2p (6p) net per share with a final payment of 4.5p (3.5p).

On a current cost basis the pre-tax surplus is reduced to £26.8m (£18.2m).

See Lex

Firth returns to profit of £37,000 at halftime

AN ACTIVE intention to expand its trading base has come from the directors of G. M. Firth **Holdings,** steel stockist and property developer. First half profits slipped by £20,000 to £37,000 but these are against second half losses of £110,000 in 1980-81.

The directors are confident that profits will improve in the second six months of the current year.

Sales were marginally higher at £1.47m for the period to September 30 1981 compared with £1.45m previously. By the end of the second half the *directors expect the company* to be in a position to earn adequate return on capital in 1982-83 for the first time in several years.

The *net* interim dividend has been held at 1.5p—last year's total was 3p. Earnings per share were stated much lower at 0.8p (2.2p) before extraordinary items.

The company's steel stockholding business is now carried on solely by Clark's of Stillington and *Mr G. M. Leadbeater,* chairman, states that turnover in the three months prior to the end of September was 50 per cent *higher compared with the* preceding quarter, and that the company is now *making* good *profits.*

Referring to the recently announced sale of freehold land and buildings at West Bromwich, plus plant and machinery, for a total of £250,000, to produce a pre-tax surplus of *£73,000,* Mr Leadbeater adds that Firth intends to develop its property assets which are non-income *bearing "and replace them with* properties that are earning income."

In accordance with this policy the site at Princeville was sold for £215,000 and the company has also assigned, for about £38,000, its leasehold interest in Duncombe Road Works. This will save overheads of about £50,000

There was a charge for taxation this time of £15,000, against a previous credit of £225,000.

Attributable profits emerged much lower at £49,000, compared with £276,000, after extraordinary debits of £27,000, against a debit of £6,000 before.

● comment

What's in a name? The fastest growing share price of the year in this case. Mr Ian Wasserman, a former Slater Walker director, joined the Firth board in July and the shares, then at about 60p, took off. Unchanged yesterday, they stand at 196p. This gives the company a market value of £5m, or 250 times the pre-tax profits, stripped of property gains. Now G. M. Firth (Holdings), not (Metal), the steel stockholding business has been put out to *pasture.* *From six depots and* £7m in sales three years ago, it is down to one depot and sales of around £2m. This business is starting to turn a profit but is not the magnet which drew Wasserman. The balance sheet is ungeared and the company says it is looking at "*one or two possibilities*" in the property area. Pre-tax profits this year should hit £100,000, which puts the shares on a fully-taxed p/e of 107.8. A maintained dividend gives a prospective yield of 2.2 per cent, but those who have sold on the way up got a rather better return.

BENLOX HOLDINGS

Taxable profits of Benlox Holdings, builder and contractor, rose from *£24,000* to £38,000 for the six months ending August 31 1981 on turnover ahead at £427,000 against £365,000. Tax *took £19,000 (£4,000) leaving the* atributable profit at £19,000 (£8,000 after extraordinary debits of £12,000). Stated earnings per 10p share were 0.41p (0.68p). The figures do not include any contribution from Protim Services, which was acquired in October.

BASE LENDING RATES

A.B.N. Bank	14½%	Grindlays Bank	‡14½%
Allied Irish Bank	14½%	■ Guinness Mahon	14½%
American Express Bk.	14½%	■ Hambros Bank	14½%
Amro Bank	14½%	Heritable & Gen. Trust	14½%
Henry Ansbacher	14½%	■ Hill Samuel	§14½%
Arbuthnot Latham	14½%	C. Hoare & Co.	†14½%
Associates Cap. Corp.	15 %	Hongkong & Shanghai	14½%
Banco de Bilbao	14½%	Knowsley & Co. Ltd.	15 %
BCCI	14½%	Lloyds Bank	14½%
Bank Hapoalim BM	14½%	Mallinhall Limited	14½%
Bank of Cyprus	14½%	Edward Manson & Co.	15½%
Bank Street Sec. Ltd.	16 %	Midland Bank	14½%
Bank of N.S.W.	14½%	■ Samuel Montagu	14½%
Banque Belge Ltd.	14½%	■ Morgan Grenfell	14½%
Banque du Rhone et de la Tamise S.A.	15 %	National Westminster	14½%
Barclays Bank	14½%	Norwich General Trust	14½%
■ Beneficial Trust Ltd.	15½%	P. S. Refson & Co.	14½%
Bremar Holdings Ltd.	15½%	Roxburghe Guarantee	15 %
Bristol & West Invest.	16 %	E. S. Schwab	14½%
Brit. Bank of Mid. East	14½%	Slavenburg's Bank	14½%
■ Brown Shipley	15 %	Standard Chartered	‖14½%
Canada Perm't Trust	15 %	Trade Dev. Bank	14½%
Cavendish G'ty T'st Ltd.	15½%	Trustee Savings Bank	14½%
Cayzer Ltd.	15 %	TCB Ltd.	14½%
Cedar Holdings	15 %	United Bank of Kuwait	14½%
■ Charterhouse Japhet	15 %	Whiteaway Laidlaw	15 %
Choulartons	15½%	Williams & Glyn's	14½%
Citibank Savings	¶15 %	Wintrust Secs. Ltd.	14½%
Clydesdale Bank	14½%	Yorkshire Bank	14½%
C. E. Coates	15 %		
Consolidated Credits	15 %		
Co-operative Bank	*14½%		
Corinthian Secs.	14½%		
The Cyprus Popular Bk.	14½%		
Duncan Lawrie	14½%		
Eagil Trust	14½%		
E.T. Trust	15½%		
First Nat. Fin. Corp.	17 %		
First Nat. Secs. Ltd.	17 %		
Robert Fraser	15½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 12.50%, 1-month 12.75%. Short term £8,000/12 months 15.10%.

† 7-day deposits on sums of £10,000 and under 12½%, up to £50,000 13%, and over £50,000 13½%.

‡ Call deposits £1,000 and over 12%.

§ Demand deposits 12½%.

‖ 21-day deposits over £1,000 13½%.

¶ Mortgage base rate.

BIDS AND DEALS

Dawn raid on Henlys falls short

Henlys, the lossmaking motor distributor yesterday became the latest victim of a "dawn raid" on its shares, but the buyer fell some way short of the target 14.3 per cent stake. It is thought that the stake acquired was below the 5 per cent disclosable level.

As the stock market opened yesterday brokers, Sternberg Thomas Clarke, announced that they were going into the market to buy up to 2m shares at 125p each on behalf of an investment client. The identity of the client (an unquoted UK investor) was not revealed.

Shortly after the buying started the shares quickly rose to a premium over the offer price and went as high as 132p. Just before the Stock Exchange closed yesterday afternoon the brokers withdrew their offer and the shares fell back to 123p. This represented a gain of 28p on the day following a 14p rise on Wednesday.

At yesterday's price Henlys is valued at £17.2m.

A substantial holding of 25.6 per cent in Henlys is held by the Bank of Scotland. Mr D. B. Pitullo, a director of the bank, said yesterday that the "bank has not sold a single share and will continue to hold its shares in Henlys."

The bank purchased its holding in Henlys about five years ago from the Heron Corporation. The stake is held through its subsidiary North West Securities, one of the UK's leading finance houses, which has a significantly commercial relationship with Henlys.

Sternberg Thomas Clarke declined to disclose the amount of shares acquired, but said that the "amount acquired was satisfactory to their client." The spokesman said that the client wanted a substantial stake in Henlys and held no shares before. He said that there were no instructions to go back into the market for more shares.

Mr Gordon Chandler, chairman of Henlys, said yesterday that the price was a derisory one in relation to the group's assets which he put at 250p per share. He urged shareholders to do nothing regarding their shareholdings.

The chairman said he had no idea who was behind the raid. He added that he deplored these sort of share buying tactics and felt that a further tightening up of the rules was called for.

Henlys—whose profits had been up to £5.7m in 1977-78—showed a pre-tax loss of £387,000 in the 1979-80 year and in the first half of the current year the deficit was up to £666,000. The group has recently diversified into leisure field with the acquisition of a company operating cruisers on the Norfolk Broads.

KUWAITIS BUY INTO JESSEL TOYNBEE

Kuwait's ministry of finance announced yesterday that its investment office had bought 1.02m shares (7.74 per cent) in Jessel Toynbee, the UK discount house. Jessel's share price closed unchanged at 52p, valuing the Kuwaiti shareholding at £530,000.

Jessel, one of the city's smaller discount houses, made a net profit of £1.12m in the year to April 5 1981, compared with a loss of £50,000 the previous year. Director Mr Roderick Balfour welcomed the shares purchase by the Kuwaitis and commented: "We are very pleased that people still have faith in discount houses."

Liberty Life buys 29.58% of Capital and Counties

Liberty Life Association of Africa, the third largest life company in South Africa, and its largest proprietory insurance company, is expanding its investment in the UK financial market by acquiring a 29.58 per cent holding in Capital and Counties a middle-ranking UK property company. This goes alongside Liberty's 20.49 stake in Sun Life Assurance Society, a leading UK life company.

The 22.7m shares in Capital and Counties are being acquired by Garsan, the UK subsidiary of Liberty, from Union Corporation, the present holder of the shares, with effect from January 1 1982. The deal will be financed by an issue of new shares of Garsan, a private company.

Garsan is in the process of changing its name to Transatlantic Insurance Holdings. The value of this holding based on last night's closing price of 114p is £25.9m.

Mr Donald Gordon, chairman and managing director of Liberty, said the move was fulfilling the group's declared policy of making strategic long-term investments in the UK and North America in life assurance and property companies, the two areas in the financial sector to which Liberty were strong and had expertise.

He emphasised that it did not intend to acquire further shares in Capital and Counties at this stage.

At the end of 1981, Liberty Life will have assets of some R1.75bn (£950m) and shareholders' funds of R170m. It holds one of the largest portfolios in South Africa with a value of about R450m.

Capital and Counties is one of the older established UK property companies specialising in retail development in town centres. The property portfolio, valued at about £138m, is almost entirely in the UK. But it is expanding into Australia and the U.S. and in future a fair proportion of profits are expected to come from those countries.

The share price of Capital and Counties rose 8p amid bid speculations inspite of the denial.

Siebe Gorman pays £2.1m for W. German engineer

Siebe Gorman, the specialist engineering and protective equipment group, yesterday acquired Rieth and Co of West Germany for DM 9m (£2.1m) cash, payable in two instalments of DM 5m on acquisition and DM 4m in a year's time.

Rieth is a family owned engineering company which manufactures and supplies metal parts, particularly cable support structures, for the power generating industry in Western Europe and the Middle East. The Stuttgart-based company's assets include a freehold site, together with plant and machinery, with a total book value of £4m. Rieth's pre-tax profits for the 10 months to October 31 1981 was about DM 1.8m (£420,560) with an annual turnover of some £20m.

Mr Barrie Stephens, Siebe Gorman's managing director, said yesterday that he hoped that the acquisition would double the contribution of the group's engineering division to overall turnover. In the year to April 4 1981 engineering represented 16.6 per cent of Siebe Gorman's total sales and contributed £550,000 to its pre-tax profits of £3.51m.

The deal is also expected to increase the group's market penetration overseas, particularly in West Germany and the Middle East. A strong performance overseas last year by its main safety and fire fighting interests helped to offset the group's decline in the UK where sales and profits fell by 23 per cent and 50 per cent respectively.

During the same period, Siebe Gorman's overseas earnings rose by almost a quarter, to represent almost half of the overall performance.

Mr Stephens said that his group was "always investigating opportunities" but that no further acquisition was as yet in the pipeline. He hoped that in the medium to long term Siebe Gorman would further expand its engineering activities and market penetration overseas.

Tom Whyte lifts stake in R. P. Martin

Mr Tom Whyte, the former chairman of Triumph Investment Trust, and his associate, German industrialist Mr Gunther Kreissel, have increased their holding in R. P. Martin and Company, the City money broker which recently merged with Bierbaum the leading Dusseldorf currency dealer.

The aggregate holding of Mr Whyte and Mr Kreissel—3.33 per cent after the merger—is now up to 6.81 per cent.

Inter European Import Company, a company associated with Mr Whyte, has acquired a further 10,000 ordinary shares and Mr Kreissel has acquired the same amount. The interests of Inter European, Paget Agencies and Mr Kreissel are associated and their total shareholding should be regarded as one. The total holding is now 635,164 shares.

HEMDALE FILM

Hemdale Film Group points out that the financial difficulties encountered by Equity Enterprises, mentioned in yesterday's report of the Southbrook and City Holdings' cash offer for Hemdale, was not caused by difficulties with major entertainment projects such as the Ali/Forman boxing match in Zaire.

Share stakes

Atlantic Assets Trust—Merchant Navy Officers Pension Fund has sold 1m ordinary shares, reducing its holding to 5,507,600 shares 4.72 per cent.

The Burton Group—Director Mr A. J. Burton has sold 200,000 ordinary.

Blundell-Permoglaze Holdings—Morgan Grenfell special exempt fund has acquired further ordinary shares and now has an interest of 325,000 ordinary (5.1 per cent).

GB Papers—Drayton Consolidated Trust has an interest in 380,000 ordinary (5.1 per cent).

Braham Millar—Fieldwood is now interested in 606,422 ordinary shares as a result of its aceptance of the tender offer

London and Continental Advertising Holdings—Director Mr R. de Young, has sold 150,000 ordinary reducing his holding to 2,364,568.

J. Sainsbury—Sir John Sainsbury has an interest in 10.9 per cent (11.1 per cent).

Alpine Soft Drinks—Mr K. E. Price, director and company secretary has sold 210,000 and now holds 6,000 ordinary.

Thames Investment and Securities — Mr J. Benjamin, chairman, has disposed of 50,000 ordinary.

Cattle's (Holdings) — Mr A. R. Muir, director, disposed of 100,000 ordinary.

Blantyre Tea backs Eastern Produce offer

Blantyre Tea Holdings is advising shareholders to accept the offer by Eastern Produce (Holdings).

The directors say that the value of the offers for ordinary and preference shares exceeds recent stock market quotations and, if the bid is allowed to lapse as planned on December 31, prices would sink lower still.

Together with N. M. Rothschild and Sons, their advisers, the directors have considered the possibility of the bid being raised, but have also borne in mind the "current uncertainty prevailing in the tea industry."

Mr H. K. Fitzgerald, who is chairman of EPH in addition to being a Blantyre director, was not present at the discussions.

£0.5M BLOCK OF TESCO SHARES SOLD

A £500,000 plus block of shares in Tesco, the supermarkets group, has been sold by one of the family trusts of Mr Leslie Porter, the chairman. Mr Porter said the shares sale was on behalf of his daughter to raise money for a new home.

BEAUMONT PROPS./ LONDON SHOP

IN THE full document setting out the terms of the proposed merger between Beaumont Properties and London Shop Property Trust the chairman of both companies, Mr J. Hugh Jones, says that since the announcement of the intended deal, London Shop has not received any proposals from Rosehaugh.

However, Rosehaugh, the former tea trader turned property company, which has been granted an option over 22 per cent of London Shop's capital at 114½p a share, says that it is "still considering its position."

When news of the proposed Beaumont/London Shop plan was announced, Charterhouse Japhet, on behalf of Rosehaugh, approached London Shop with the view to a merger with Rosehaugh.

The option, which runs to December 30, largely represents the stake held by McLeod Russel. McLeod bought into London Shop last year and then opposed a rights issue on the grounds that it was against shareholders' interests.

MOTHERCARE

On December 14, Messel and Company, brokers to Mothercare on behalf of an associate, bought 4,000 Mothercare at 162p each and on December 26 bought 10,000 at 168p.

A I/HEADLAM

Associated Investments has acquired a further 10,000 shares in Headlam Sims and Coggins, bringing its holding to 303,500 shares (10.4 per cent).

LONDON TRADED OPTIONS

Dec. 17 Total Contracts 789. Calls 590. Puts 199.

Option	Ex'rcise price	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
P (c)	360	—	—	11	—	23	2	318p
P (p)	300	6	4	15	—	22	—	"
P (p)	330	—	—	28	—	38	2	"
P (p)	350	36	1	—	—	—	—	"
CU (c)	120	16	2	20	—	25	—	128p
CU (c)	130	10	10	15	—	19	—	"
CU (c)	140	3	1	10	—	13	—	"
Cons. Gld (c)	500	18	5	40	—	57	4	502p
Cons. Gld (c)	550	5	5	16	—	25	—	"
Cons. Gld (p)	500	17	5	30	—	45	—	"
Ctlds. (c)	50	24	—	27	—	30	—	74p
Ctlds. (c)	60	15	—	18	—	20	—	"
Ctlds. (c)	70	6	—	9½	—	12	—	"
Ctlds. (c)	80	2½	—	4½	—	7½	—	"
GEC (c)	650	160	10	177	—	197	—	804p
GEC (c)	750	62	7	84	2	110	—	"
GEC (c)	800	23	44	48	9	74	—	"
GEC (c)	850	7	—	21	50	—	—	"
GEC (p)	750	10	—	24	26	32	—	"
GEC (p)	800	32	16	35	4	45	—	"
Gr'd Met. (c)	160	21	—	29	20	34	—	176p
Gr'd Met. (c)	180	8	5	13	3	22	5	"
Gr'd Met. (c)	200	3	2	8	1	14	—	"
Gr'd Met. (p)	180	11	5	15	70	21	5	"
Gr'd Met. (p)	200	26	4	27	—	30	—	"
ICI (c)	260	24	6	38	—	46	—	278p
ICI (c)	280	12	—	28	7	38	—	"
ICI (p)	260	3	2	10	—	14	1	"
ICI (p)	280	12	5	18	—	22	—	"
Mks. & Sp. (c)	140	2	55	5	—	—	—	125p
Shell (c)	420	9	1	24	—	36	3	406p
		February		May		August		
Barclays (c)	420	33	3	40	—	55	—	435p
Barclays (c)	460	12	4	20	—	35	—	"
Imperial (c)	60	14	—	15½	3	17	—	71p
Imperial (c)	70	7½	80	8½	56	12	—	"
Lasmo (c)	460	27	5	45	—	62	—	442p
Lasmo (c)	550	10	15	17	15	—	—	"
Lonrho (c)	80	5½	5	8	—	9½	—	77p
Lonrho (c)	90	2½	—	3½	41	5½	—	"
Lonrho (p)	70	3	—	5	25	7½	—	"
P & O (c)	120	19	21	21	—	25	1	125p
P & O (c)	130	12	26	14	27	17	—	"
P & O (c)	140	6	—	9	14	—	—	"
Racal (c)	390	50	2	53	—	77	—	423p
Racal (c)	420	30	10	45	—	57	—	"
Racal (p)	390	13	4	20	—	27	—	"
Racal (p)	420	23	10	32	—	38	—	"
RTZ (c)	500	20	—	33	11	50	—	457p
Vaal Rfs (c)	70	4¾	5	6¾	—	8	—	$69

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$400	—	—	24	48	—	—	$417
GOLD C	$425	3	18.50 A	6	34.50	—	—	"
GOLD C	$450	12	11	—	—	—	—	"
GOLD C	$475	—	—	4	15	—	—	"
GOLD P	$400	—	—	4	14	—	—	"
NL 81 85-88								
C	F.100	—	—	3	3.60	—	—	"
10% NL 80 86-95								
C	F.95	30	2.20	—	—	—	—	"
		Jan.		April		July		
ABN C	F.300	—	—	2	5.50	—	—	F.282
AKZO C	F.20	—	—	—	—	10	4.40	F.22.60
AKZO C	F.22.50	8	0.80	—	—	—	—	"
AKZO C	F.25	50	0.30	8	1	—	—	"
AKZO P	F.25	38	2.40	—	—	—	—	"
IBM P	$55	10	1⅛	—	—	—	—	$54⅛
KLM C	F.80	1	14	—	—	—	—	F.93.70
KLM C	F.90	34	5.50	10	12.50	—	—	"
KLM C	F.100	188	1.70	14	8.70	—	—	"
KLM C	F.110	56	0.80	6	5	—	—	"
KLM C	F.120	—	—	70	3.90	—	—	"
KLM C	F.140	10	0.10	—	—	—	—	"
KLM P	F.90	45	2	—	—	—	—	"
KLM P	F.100	11	8.20	—	—	—	—	"
NEDL C	F.150	—	—	—	—	3	7	—
NEDL C	F.160	1	0.40	5	3	—	—	"
NEDL C	F.170	10	0.20	—	—	—	—	"
NEDL P	F.140	20	2	—	—	—	—	"
PETR C	Fr.3500	—	—	1	14.10	—	—	Fr.4530
PETR C	Fr.3810	1	740	—	—	—	—	"
PETR C	Fr.4500	—	—	—	—	6	560	"
PHIL C	F.20	5	0.50	—	—	85	1.60	F.19.50
PHIL C	F.22.50	9	0.10	10	0.60	65	0.80	"
PHIL C	F.25	—	—	102	0.30	—	—	"
PHIL P	F.20	17	0.80 B	48	1.20	—	—	"
PHIL P	F.22.50	—	—	—	—	75	3.30	"
POLA C	$20	6	1	—	—	—	—	$20¼
RD C	F.70	—	—	10	17.80	—	—	F.86.30
RD C	F.80	20	7.40 A	2	10.50 A	—	—	"
RD C	F.90	125	1.20	74	5	3	6.50	"
RD C	F.100	3	0.30	51	1.80	—	—	"
RD P	F.80	73	0.60	47	2	29	3.60	"
RD P	F.90	48	4.20 B	76	6	3	7	"
UNIL C	F.150	7	1.90	—	—	1	10.50	F.148.50
UNIL P	F.130	—	—	—	—	20	1.50	"
UNIL P	F.150	5	2.80	—	—	—	—	"
		Feb.		May		Aug.		
MANN C	DM.160	50	3	—	—	—	—	DM154.88
MANN C	DM.170	—	—	10	3.50	—	—	"
SLUM C	$55	10	3¾	—	—	—	—	$56
VW C	DM.140	—	—	10	5.50 A	—	—	DM 139
VW C	DM.150	—	—	10	4	—	—	"
VW C	DM.160	—	—	10	2	—	—	"

TOTAL VOLUME IN CONTRACTS: 1773

A=Asked B=Bid C=Call P=Put

BANK RETURN

	Wednesday Dec. 16 1981	Increase (+) or Decrease (—) for week
BANKING DEPARTMENT		
Liabilities	£	£
Capital	14,553,000	—
Public Deposits	39,659,146	— 76,269
Bankers Deposits	621,303,410	+ 139,329,166
Reserve & other Accounts	1,545,602,756	+ 42,429,831
	2,221,118,312	+ 181,680,728
Assets		
Government Securities	599,880,069	+ 165,995,000
Advances & other Accounts	1,030,792,873	+ 4,527,620
Premises Equipment & other Secs.	576,081,648	+ 19,784,119
Notes	14,326,277	— 9,645,470
Coin	237,445	+ 19,459
	2,221,118,312	+ 181,680,728
ISSUE DEPARTMENT		
Liabilities	£	£
Notes issued	11,625,000,000	+ 600,000,000
In Circulation	11,610,673,723	+ 609,645,470
In Banking Department	14,326,277	— 9,645,470
Assets		
Government Debt	11 015,100	—
Other Government Securities	6,650,255,410	+ 332,027,609
Other Securities	4,963,729,490	+ 267,972,391
	11,625,000,000	+ 600,000,000

MINING NEWS

Societe Generale-UM merger gets approval

BY KENNETH MARSTON, MINING EDITOR

SHAREHOLDER APPROVAL has been given overwhelmingly to the controversial take-over by Belgium's largest corporation, Societe Generale de Belgique, of the Union Miniere (UM) international mining and investment group.

At yesterday's meeting in Brussels, UM holders approved the move despite lively opposition from a minority group. The day was won by the combined powerful voting strength of major shareholders, Societe Generale, Finoutremer and Tanks Consolidated.

It is reported that the meeting was enlivened by hooting and jeering from UM holders who called for the company's chairman, M Paul-Emile Corbiau, to "answer our questions," "resign" and who added, "we want answers," at various points during his speech.

Societe Generale has offered five of its ordinary "parts de reserve" shares, ranking for dividend from January 1 1981, for nine-tenths of one full UM share.

M Rene Lamy, Governor of Societe Generale said that the restructuring project is aimed to improve the group's profits and industrial efficiency.

Another element in the restructuring is Societe Generale's takeover of Tanks Consolidated, and M Lamy said his company's bid for tanks, due to be closed shortly, had allowed Societe Generale to build up its stake to nearly 90 per cent from less than 30 per cent originally.

He added that Societe Generale intends to use Tanks as a specialised company for operations on international financial markets, saying that if offers in response to its bid reached the target level, it would take 100 per cent control of the company as provided for under British law.

UM, meanwhile, is to become in its new form the parent company of the group's interests in the non-ferrous metals sector, M Lamy said. In this guise it will define the group's strategy and form the vehicle for future link-up agreements with outside firms.

M Lavy said that Societe Generale's 1981 profits will be lower than in 1980 because of its take-over of UM SA.

He appealed for shareholders' confidence, adding that the Board hoped that Societe Generale shares would rise to more realistic levels before too long.

Possible future plans for raising share capital would depend on a firmer share price, he said, adding that concern to defend the share price was one reason for paying a dividend.

Two big Australian coal deals

BIG STAKES in two major Australian coal projects have changed hands for a total of more than A$140m (£85m). The first deal brings Bundaberg Sugar into the minerals field, while the second continues the programme of asset disposals by H. C. Sleigh.

The Rio Tinto-Zinc group's Australian arm CRA and Arco Coal, a subsidiary of Atlantic Richfield of the U.S., have complied with a Federal Government ruling that they must sell 24.39 per cent of the A$500m Blair Athel coal project in Queensland.

The latest deal, involving the sale of two holdings of 12.195 per cent each to Bundaberg and ACI Resources, a subsidiary of Australian Consolidated Industries, completes the Australianisation of Blair Athol, and thus guarantees the granting of government permission for export shipments.

These are scheduled to start in the second quarter of 1984, and are expected to be worth at least A$120m in the first year, when 3m tonnes of coal will be delivered.

This will rise to 4m tonnes the following year, and to the mine's projected capacity of 5m tonnes the year after that.

The main customers are Japan's Electric Power Development Company (EPDC) and Japan Coal Development Corporation (JCD), which have agreed to buy 72m tonnes over 15 years from 1984 at a total cost of some A$3bn. Both companies have a stake in the venture.

The latest deals mean that CRA will have a 50.22 per cent interest in Blair Athol, with the other stakes as follows: Arco 15.39 per cent, ACI Resources 12.195 per cent, Bundaberg 12.195 per cent and EPDC and JCD 10 per cent between them.

Bundaberg said yesterday that it paid A$30.6m for its interest, and while the company has not confirmed this, it can be assumed that ACI Resources paid a similar amount.

Our Sydney correspondent reports that the deal gives Bundaberg a use for its cash resources, and a deeper involvement in the coal industry apart from its interest in the small Wesfalen colliery, also in Queensland.

As far as ACI is concerned, the move represents the first phase in the establishment of a coal portfolio as part of the company's attempts to turn ACI Resources into a mining and energy concern in its own right.

Few details of the second deal are available. H. C. Sleigh, which had previously said it wanted to sell its 40 per cent holding in the Warkworth Associates coal joint venture in the Hunter Valley of New South Wales, yesterday announced the disposal of a 25 per cent interest in the venture in two separate sales.

Sleigh said that a 15 per cent holding is to be sold to Australian interests outside the present consortium, and a letter of intent has been received establishing the purchase price of A$48m.

In addition, the company is in talks with the joint venture partners over the sale to them of a further 10 per cent at a price of A$10m.

Sleigh's partners are Costain Australia with 35 per cent, Mitsubishi of Japan with 15 per cent and T and G Mutual Life with 10 per cent. The two deals leave Sleigh with a 15 per cent interest.

ROUND-UP

The Colombian state coal corporation, Carbocol is reported to be seeking a long-term sales contract with Japanese consumers for its big El Cerrejon coal project which has estimated reserves of 1.6bn tonnes. Joint development of the project is planned by Carbocol and a Colombian subsidiary of Exxon. Production of the high quality steam coal is scheduled to begin in 1986 and by about 1990 output could reach 15m tonnes a year.

* * *

Hampton Trust, which owns 50 per cent of the Carida gold mine in Western Australia, has now purchased the other half. The price of A$100,000 (£60,750) agreed last March is being met by the issue of 100,000 Hampton Trust shares at 50p.

Operations ceased at the mine in June but the leases are to be maintained and the situation reviewed on a recovery in the gold price.

UK COMPANY NEWS

AE profit dives by 87% to £1m for year

A RETURN to profitability at the pre-tax level in the second six months ended September 30 1981 enabled AE, formerly Associated Engineering, to produce a full-year profit of £1m, although the result was 87 per cent lower than the previous year's £7.8m.

At half time, the group, which makes and distributes precision engineering components, reported a pre-tax loss of £1.7m (£10.5m profit). No interim was paid but the directors are now *recommending a net final of* 1.4p (1.37p) which compares with the previous total of 3p per 25p share. Stated loss per share was 1.4p (4.9p earnings).

Worldwide sales for the period were only marginally lower at £441.1m, against £441.7m and after adjusting for the sale of the heat transfer division in August 1980, group sales were up 4 per cent over the previous 12 months.

In current cost terms, pre-tax losses rose from £8m to £9.7m.

Pre-tax profits were after charging £9.2m (£7.3m) for redundancy and related costs and net interest payable of £14m (£13m). In the UK there was a small deficit, before tax, of £0.2m (£3m profit) while overseas profits showed a marked reduction from £4.8m to £1.2m.

At the pre-interest level, profits from UK manufacturing activities rose from £6m to £7.1m, while overseas there was *a fall to £4.1m (£6m) almost* entirely due to a poor result in Italy.

Reflecting a volume reduction of some 14 per cent at home, profits of the UK replacement operations fell significantly from £6m to £1.1m, while the overseas result was marginally lower at £2.7m (£2.8m) with South African and French distribution, which performed strongly, being offset by another poor result from Calwer.

Interest charges in the UK dropped as a result of lower borrowings, while those overseas rose significantly because of higher borrowings and higher interest rates.

Tax charge for the year was 50 per cent lower at £1.2m (£2.4m) after crediting £1.2m of overprovisions in previous years. Subsequent to the year end £0.9m of this has been received. After deducting minorities of £1.2m (£0.5m), preference dividends, *nil (£0.1m) and* extraordinary items, £0.4m (£6m), the loss came through £0.6m higher at £1.8m.

Cost of ordinary dividends was £1.4m against £2.9m, leaving a retained deficit of £3.2m, compared with £4.1m.

In the UK, sales fell 12 per cent on last year, although if the effects of the sale of the heat transfer division are eliminated the fall is 5 per cent. As a percentage of total turnover, sales within the UK declined from 55 per cent to less than 50 per cent for the first time.

Direct exports were maintained despite recessionary conditions in the group's major original equipment markets and strong competition from overseas competitors in its replacement markets. Direct exports rose from 23.7 per cent to 26.3 per cent of UK turnover, while sales overseas increased by 23 per cent and from 29 per cent to 34 per cent of total group sales.

Changes in exchange rates on translation of overseas subsidiaries figures improved profits by £0.5m (£0.6m). The cost of industrial disputes has fallen from an estimated £1.5m in 1980 to £0.6m, all of which was "in-house."

There has been a significant change in the group's borrowing levels. Gross borrowings have fallen from £99.2m to £75.2m with a reduction in short term bank loans and overdrafts of £27.9m and an increase in loan capital of £3.9m. Net borrowings fell from 36 per cent to 32 per cent of capital employed and from 62 per cent to 50 per cent of shareholders' funds. Reflecting the year's loss, ordinary shareholders' funds dropped £2m to £143m.

Capital employed decreased during the year from £257m to £231m. Fixed assets fell from £109m to £105m principally as a result of the sale of surplus land and buildings. Capital expenditure amounted to £13.6m (£17.3m) of which £3.9m (£3.1m) was leased.

Depreciation charge was up £0.5m to £11m, while working capital, excluding borrowings, fell from £139m to £123m with all the reduction occuring in stocks.

See Lex

British Steam slips midway

TAXABLE PROFITS of the British Steam Specialties Group declined from £1.37m to £955,000 for the six months to September 30 1981 on turnover slightly higher at £24.09m, compared with £23.6m.

The profits was struck after finance charges of £218,000 (£320,000) and was subject to tax of £350,000, against £482,000. It is pointed out that comparisons have been restated in regard to foreign currency translations and stock relief.

The net interim dividend of this specialist supplier of pipeline equipment is maintained at 2p per 20p share—a final of 3.25p was paid for 1980-81.

The directors believe the decline, which severely affected *the second half of last year, has* been arrested. They say there have been signs of a slight improvement in recent months.

Nottm. Brick well down at £293,818

Pre-tax profits of Nottingham Brick Company finished the year to September 30 1981 well down at £293,818, compared with £606,062, following a sharp setback at midterm from £271,020 to £90,591.

The directors say that the signs of improvement in private house building mentioned in their interim report last June did not lead to any sustained recovery in demand. The much-reduced market for bricks, they add, led to unrealistically competitive prices.

Although the volume of sales (turnover for the year slipped from £4.6m to £4.2m) was regarded as "satisfactory" profits were "disappointing."

The orders for the additional plant at Maltby have been implemented.

The pre-tax surplus was after interest charges of £137,789 (£103,214). There was a tax credit this time of £33,228 (£53,500 debit). Because of the company's capital expenditure programme there was no tax charge on the results — the credit relates to over-provisions in previous years.

Stated earnings per 50p share were sharply lower at 13.8p (22.1p) but a same-again final dividend of 4.62p maintains the net total at 6.62p.

ASHLEY TRUST

A one-for-five scrip issue is proposed by Ashley Industrial Trust, the former Thames Plywood Manufacturers in which Choularton has a majority holding.

The directors intend to authorise an interim dividend and recommend a final on the increased issued share capital for the year to April 30 1982 not less than the 3.5p net total paid for 1980-81.

Plysu pulls ahead in first half

THE TREND towards improved margins shown in the second half last year has been maintained at Plysu, according to the directors. Taxable profits have risen 53 per cent for the 28 weeks to October 9 1981 compared with the previous first half.

The pre-tax result of this manufacturer of plastic containers and domestic wares stands at £1.05m, against £685,000 last time, and turnover has moved up from £9.14m to £9.23m.

The net interim dividend has been raised from an adjusted 0.617p to 0.75p per 10p share. In the last full year an adjusted total payment of 1.889p was paid from pre-tax profits £938,000 down at £1.39m, on turnover of *£16.34m (£17.82m).*

The improvement reflects the continued growth of housewares and greater efficiency from new machinery and improved production methods, say the directors. The demand for the company's range of polyethylene bottles continues to be well below pre-recession levels, but there are signs of a modest upturn in some areas.

As a result the company is looking forward to utilising more of its newly-commissioned production lines in the next few months.

Present trading levels can be maintained for the rest of the year without the help of an improved economy, according to the directors. However, performance would quickly reflect any upturn in industrial activity.

Pre-tax profits were struck after higher depreciation of £554,000, compared with £442,000, and a credit for interest of £48,000. Last time there was a debit for interest of £58,000. Tax took an increased £418,000, against £108,000 previously. Earnings per share were stated at 5.1p (4.7p adjusted).

J. H. Dennis in the red at six months

Although turnover of James H. Dennis remained virtually static at £2.23m, against £2.25m, for the six months to September 30 1981 the company dived into the red incurring a pre-tax loss of £180,128, compared with a surplus of £9,284.

In the second half of 1980-81 this Manchester-based engineer returned taxable profits of £102,043 (£81,087).

The profit for the first half of the current year was after taking account of interest charges, up from £100,427 to £122,962, and depreciation of £113,948 (£79,355).

After same-again tax of £827 and extraordinary debits of £96,930 (nil), including severence payments of £86,707, there was an attributable loss of £277,885 (£8,457 profit).

Stated loss per 10p share was 7.32p (0.26p earnings). The interim dividend is again being passed—a net final of 1.4p was paid last time.

The directors say the half-year operating profit (down from £189,066 to £57,782) included a loss of £124,475 by the castings division.

BL SHARES

A further 140m ordinary BL shares of 50p each have been issued at par, by way of direct placement to the Secretary of State for Industry. The shares are not listed on the Stock Exchange and are not transferable to public shareholders unless and until a listing has been obtained.

Marston rises and lifts interim

A GOOD first half for Marston Thompson and Evershed has provided the Burton brewer and liquor merchant with pre-tax profits of £3.25m, up from £2.61m. The interim dividend is raised from 0.625p to 0.7p net per 25p share.

Sales for the six months to September 30 1981 advanced from £16.5m to £19.73m, but part of this came as increased excise duty after the April Budget.

The directors do not expect to maintain this rate of profits increase in the second half. Nonetheless a moderate improvement for the full year is in prospect, barring a marked deterioration in economic conditions.

Last year's taxable surplus amounted to £5.15m and the total net distribution was 1.8p per share.

Earnings per share this time *are stated as 3.53p, against 3.08p.*

Trading profits were £3.08m (£2.31m) and tax took £1.44m (£1.03m). An extraordinary item of £92,000 (£347,000) was included in the attributable balance.

● comment

Marston's interim pre-tax advance of 24 per cent represents a recovery from last year's depressed interim figures. The rise is greater in trading profits (33 per cent), with smaller interest accruing, as some long-term investments held by this cash-rich company have matured. Marston has continued its cautious pricing policy, with no rises in the period, apart from the duty increase. Wage increases have been kept at a lower level than in previous years but there have been no redundancies or short-time working. Sales of bottled ales are still depressed, but cask beer has picked up. The star performer has been low carbohydrate beer ("Low C") which has found an increased number of outlets. The company's claim of bigger market share is chiefly due to winning more free trade. The number of tied houses is virtually unchanged, though Marston has a wide distribution area. The interim has been raised over an eighth to 0.7p. Assuming a similar increase in the final, the shares, lowly rated for a small brewery at 67p, yield about 4.5 per cent. Whitbread holds 35 per cent of the equity.

Sonic Sound hits £0.8m target

IN LINE with the January prospectus forecast of not less than £800,000, pre-tax profits of Sonic Sound Audio Holdings, the hi-fi equipment retailer, have more than doubled to £804,957 for the year ended October 31 1981. This compares with £392,777 previously which was before an exceptional debit of £88,691.

In July, when reporting first-half profits ahead from £193,614 to £352,640, the directors said that attainment of the prospectus forecast was likely to be dependent on an improvement in trading conditions for the rest of the company's financial year.

Turnover for the year jumped by 182 per cent from £2.6m to £4.73m. At the attributable level, profits climbed from £304,066 to £700,957, after a tax charge of £104,000 this time. Stated earnings per 10p share rose from 5.07p to 11.68p.

As forecast, the directors are recommending a final dividend of 2.24p net, making a total of 4.48p per share for the year.

During the year Sonic increased its selling area by around 20,000 sq ft to a total of 29,000 sq ft following the opening of eight new stores. Apart from the unit in the new EMI centre in Tottenham Court Road, London, W. which was opened last December the company has only had the benefit of these stores for between one and five months.

With a full year's trading from all these stores and the planned opening of three further units shortly, coupled with the recent acquisition of a new 17,000 sq ft office and warehouse complex, the directors remain optimistic about current year prospects.

The recent acquisition of Stanmore Video also takes Sonic into an important growth area of industrial video surveyance and security as well as boosting its fast-growing consumer video trade.

With regard to last year's exceptional item, the company says that following a settlement with a former director whereby his existing consultancy contract was terminated, the company entered into a new agreement on December 23 1980 which provided for payments over the next five years.

The company has accrued at November 1 1980 for the discounted present value of its commitment under this agreement.

In current cost terms, pre-tax profits have increased from £241,295 to £780,645.

● comment

It was touch and go in the summer but Sonic Sound has achieved its prospectus forecast with £5,000 to spare. Faced with a cooling in demand and tough competition it could have been a lot worse. When the company reported its half year last July a note of caution had crept into the chairman's statement over the January forecast but autumn sales picked up and a swift store opening programme helped the last few months along. In the market the share price rose 4p to 95p where the fully taxed p/e is a shade under 15, or 8.2 on the stated charge. The yield is worth 6.7 per cent. Rapid physical expansion should ensure that profits keep moving the right way in 1982 and underpinning the rating though underlying demand will be unexciting.

WELLCO OUTLOOK

During the last six to eight weeks trade has improved for Wellco Holdings giving hope for a better first half result, Mr Nigel Chamberlayne-Macdonald, the chairman, told the annual meeting. He also expressed cautious optimism for the outlook of this electrical distributor and manufacturer in the current year.

For 1980-81 taxable profit of the group had slumped from £599,687 to £4,245 with £55,000 (£336,000) at halftime.

Ray Maughan looks at a growth industry sport, which claims 5m players

Snooker makes the big breakthrough

WHAT WERE 17m people doing on the night of Sunday, April 19? Which body said: "Unfortunately, unlike the major spectator sports, the intimate nature of the games makes it impossible for large audiences to attend matches and, therefore, any appreciable income from this source is limited."

Those millions of people were watching the final stages of the *Embassy World Professional* Snooker Championship, broadcast live on television. And the gloomy verdict on the sport's spectator appeal is still to be found in the handbook of the ruling amateur body, the Billiards and Snooker Control Council.

Professional snooker has already dispensed with such reservations. The governing body, the World Professional Billiards and Snooker Association, has recently signed a £435,000 contract with the BBC to cover the State Express World Team Classic, the Coral United Kingdom Championship and the Embassy World Professional Championship for five years.

The sponsors, too, are confident of big television ratings. All the major companies involved have lifted their prize money substantially this season. Coral Leisure, which backed the United Kingdom Championship at the Preston Guildhall last month, raised the stakes from £22,500 to £40,000. Meanwhile one new snooker club is opening in Britain every two weeks turning an industry which is used to much cosier times on its head.

The bonanza has not been lost on the top players. Steve Davis, the current world champion, is expected to make up to £250,000 from his first year right at the top.

By contrast, Joe Davis, the veteran snooker player, won £6.50 when he captured the first championship title back in 1927.

Pot Black, first broadcast in 1969 on BBC 2, can claim much of the credit for this surge in popularity, but the snooker revolution also needed packaging and personalities.

Steve Davis, the world champion, in action

It took a West End sports promotion and publicity agent to telescope the previous season-long slog for the championship into a single fortnight. This enabled the cameras to pick up the later stages and the climax. To begin with, there were problems with the heat and glare of colour television lights, but by the mid-1970s these had been resolved and snooker was attracting major commercial sponsors such as Wills, Park Drive, Norwich Union and Benson and Hedges.

Meanwhile, the game was establishing its own stars. The snooker legend had been dominated by a handful of players in the decades either side of the last war. Clive Everton noted in the Guinness Book of Snooker that "whenever snooker was on television the formula was Joe versus A. N. Other."

And A. N. Other was quite often Joe's brother Fred Davis, whose own achievements have, perhaps unfairly, been overshadowed by his sibling.

In 1969, however, three leading amateurs turned professional — Gary Owen, Ray Reardon and John Spencer. Owen never made the television medium his own but his peers came to prominence in the earlier years of the snooker boom and are still hugely popular.

Maybe colour television, imaginative promotion and new competitors would have been enough to lift snooker to its current heights on their own. But those close to snooker believe that if there was a single event which catapulted snooker into the present boom, it was the 1972 championship played in a British Legion hall in Birmingham.

The miners were on strike, so the attendance was boosted by the three-day week. The hall was packed to overflowing and stacked beer crates provided a rough and ready form of tiered seating. Despite some disputed refereeing decisions and inadequate lighting from a mobile generator, snooker stepped into the big time. John Spencer twice made 100 plus breaks during that February week but he lost early in the last session, 37 frames to 32, to *a Belfast tyro called Alex* Higgins.

To break 100 in competitive snooker takes great care and skill. To break 100 in four minutes or less, as Higgins did repeatedly, demands an unparalleled blend of nerve and showmanship. Not for nothing was Higgins dubbed "Hurricane": his speed on the table and his headline-making exploits away from it helped snooker make the big breakthrough.

Away from the glamour of Sheffield's Crucible and the other big venues, the sport is growing quickly around the country. Alan Deal, chairman of E. J. Riley, which is the only publicly quoted company with major interests in either snooker halls or equipment, reckons that at least 5m people play snooker regularly.

It adds up to what should be a growth industry but the rewards have been heavily diluted by keen competition which is in danger of degenerating into a bitter trade battle.

Somewhat concerned "about some of the fighting and backbiting," Mr Deal attended the Billiards Trade Association for the first time on November 11. His anxieties are echoed by the family-controlled Clare-Thurston-Padmore group of cue and table manufacturers and wholesalers. Peter Eggington, finance director, warns that a "lot of people have jumped on the bandwagon because of the popularity of snooker and because they think they can make a lot of money easily.

"Their trading ethics are not as high as Riley's and our own and their products are not the same standard," he says and points out that "there's quite a price war."

As a family-controlled group of interlocking companies, Clare-Thurston-Padmore discloses little financial information. With Riley, they claim to be the largest equipment manufacturers in the UK, turning over some £3m each year. "But we do not do a lot of forecasting and we do not target our return on capital employed," *says Mr Eggington.*

Others are less reticent. Bristol Coin Equipment reckons that it returns 35 per cent on its funds at present. Its profits from snooker grew in the year to March 31 last from £158,000 to £343,000 before tax.

BCE has some of the closest links with the controlling body. WPBSA commercial manager, Del Simmons, is a consultant to the company and, to take the multiplicity of roles which seem to proliferate with the sport a stage further, Mr Simmons is also the principal of the International Snooker Agency which, among other players, managed Alex Higgins until last month.

Everybody connected with the sport believes that the real growth will come from snooker halls. Their income has been raised by the relaxation of one-armed bandit prize money and Mr Deal estimates that the returns available can top 40 per cent of funds employed.

The business is very fragmented. Riley is the largest operator, owning 30 clubs, and Luciana owns a further 18. But, as Deal says, "there must be hundreds of halls in this country."

Club ownership contributed £487,000 of Riley's total £723,000 pre-tax profit in the year to July 31

The business which supplies and accommodates the growing *army of hopefuls is still running* after the big prizes. Somebody, somewhere is going to try and clear the competition off the table. BCE has an option, which it is almost certain to exercise, to buy one of the makers of Super Crystalates, the Composition Billiard Ball Supply Company, in the new year. Super Crystalate balls are used in many of the big championships but the company lost £42,000 last year and BCE's David Fisher plans to buy it at just over net worth of about £550,000. BCE is also planning to apply for a quote on the Unlisted Securities Market next year and says that it has reached the stage of discussing its accounting conventions with a leading merchant bank.

Mr Everton contends that "the trade is in a few hands but it was in a few tired old hands before the boom." And as Mr Withy says of those old hands, "we either take them over or we let them die."

William Chislett looks at why Mexico's largest private conglomerate has been forced to switch from expansion to retrenchment

Grupo Alfa to wield the axe

AFTER SIX years of expanding into almost every sector of the Mexican economy, Grupo Industrial Alfa, the country's largest private group, is to follow a path of reduced growth and retrenchment.

"We have to stop thinking about expansion and consolidate," says Sr Rafael Paez, the new managing director of the company, which recently received a 12bn peso ($480m) government - backed rescue package.

After its formation in 1974 as a holding company with steel and paper interests, Alfa's assets grew sixfold to total 91bn pesos at the end of 1980, with profits showing similarly sharp growth to 3.7bn pesos.

However, the dizzy growth, high interest rates and the acquisition of some shaky consumer products companies resulted in profits nose-diving to a mere 57m pesos ($2m) this year, a surplus which became a loss after write-offs totalling $120m on five consumer goods companies it plans either to sell or close.

The five companies—Acermex, which makes motorcycles, Philco, Admiral and Magnavox, all producing television sets, and the POM shoe group—accounted for $58m of the total losses in its consumer goods sector of $107m. This sector made up 16 per cent of Alfa's assets.

The increasing problems at Alfa prompted the rescue package, which is split between a 7bn peso loan at market rates and the injection of 5bn pesos as non-convertible proferred shares in 17 Alfa subsidiaries. The package also includes a four-man committee made up of Finance Ministry officials and representatives from Banobras, the state-owned bank providing the aid.

While the adoption of a policy of retrenchment is a bitter pill for a company with "dynamism and diversity" as its slogan, it is a necessary move if Alfa is to recover its health.

Already around 1,300 executives have been shed since June and a further 400 will go in the next month.

Sr Bernardo Garzo Sada, whose family founded in 1891 what is today Alfa, also relinquished the managing director's chair earlier this month in favour of Sr Paez, who had built up Alfa's successful steel subsidiary, Hylsa, which runs at almost 100 per cent capacity and posted a net profit this year of $68m. Sr Garza Sada remains as chairman, but is no longer involved in the day-to-day running of Alfa.

Almost immediately after taking over, Sr Paez met 250 of Alfa's Mexican and foreign bankers, who have a total loan exposure to the company of $2.4bn, to explain the new policy. "We shall be making no new purchases," he said adamantly.

Quite the opposite. Not only will Alfa sell off the five companies—if it finds buyers—it will also halt development of its Casolar tourism project on the Pacific Coast, which ran up a $47m loss this year.

Investment in 1982 will be concentrated in three areas—steel, petrochemicals and paper, where the funds from Banobras will allow the completion of expansion plans.

After increases in net debt of $1.1bn in 1980 and $677m in 1981, most of it from foreign banks, Alfa intends to borrow $64m next year and to repay $111m to commercial banks.

At the same time, said Sr Jesus Guzman, Alfa's financial director, the ratio of current assets to liabilities will be improved to 1.24 from 1.14, although this will still be down on the 1979 ratio of 1.54. This will be achieved by converting $228m of short-term debt to long-term.

Alfa's financial costs, mainly interest payments, rose 134 per cent this year to $358m.

Alfa has also been told by the Government that the crawling peg depreciation of the peso against the U.S. dollar will be stepped up next year to 18 per cent from 12 per cent this year. A more major devaluation would deepen Alfa's crisis by pushing up the cost of its debt.

If these factors, which are beyond Alfa's control, follow the forecasts and growth is reined in by Alfa, Sr Paez is confident net profits in 1982 could rise to $120m.

No early return to dividends for SSIH

By John Wicks in Zurich

TRADING AT the beleaguered Swiss watchmaker, SSIH, has been "more or less" in line with budget over the first 11 months of 1981.

This was stated in Berne yesterday by Dr Peter Gross, the chairman, who stressed that "for years to come our financial situation will be anything but gratifying. The word dividend will not be part of our vocabulary for several years."

Dr Gross confirmed that SSIH would incur a substantial loss for 1981. Earlier this year the company forecast a loss of around SwFr 62m ($34m), against a 1980 deficit of SwFr 142m.

As a result of weak trading, the company was forced into the arms of its bankers earlier this year. They took 95 per cent control of SSIH, wrote off debt, injected new equity and provided fresh loans.

SSIH is in future to concentrate production on its leading brands, Omega and Tissot, as well as Hamilton watches in the U.S. Omega watches currently account for about three-quarters of turnover.

Elsewhere, the company is to close or sell its U.S. subsidiary, Star Watch Case, and is to close an Omega plant in Lausanne.

Congress moves to block Mobil bid

BY PAUL BETTS IN NEW YORK

THE U.S. Congress moved with unusual speed yesterday to try to block the proposed $6.5bn acquisition of Marathon Oil by Mobil Corporation, the country's second largest oil company.

Only hours before adjourning for the Christmas recess, the House of Representatives approved by a majority of more than two-thirds a measure which would impose a moratorium on any large oil company mergers until the end of next June.

The measure would prevent any of the largest nine U.S. oil companies from buying more than 5 per cent of any company which ranks among the largest 40 oil groups in the U.S.

But the six-month moratorium on oil takeovers was not approved by the U.S. Senate, which had already adjourned for the holidays.

The rushed vote in the Lower House was directed principally against Mobil, which is currently competing against U.S. Steel for Marathon, the country's 17th largest oil company.

The Bill coincided with the opening of hearings in a Federal Appeal Court yesterday on the Mobil takeover.

Mobil is appealing against two lower court rulings which have blocked the oil company from proceeding with its bid and have allowed Marathon to grant to U.S. Steel two so-called "sweetheart" options. One of these covers the sale to U.S. Steel of Marathon's 49 per cent interest in the Yates oil field in Texas for $2.8bn. The oil field is Marathon's most valuable asset.

Although U.S. Steel, which is offering $6.3bn in cash and notes for Marathon, currently has a big lead in the contest, it is prevented from buying Marathon shares until the Appeal Court makes its rulings.

Mobil has already reached an agreement with Amerada Hess, one of the country's largest independent oil companies, whereby it would sell Marathon's downstream refining and marketing operations to Amerada should Mobil win.

Mobil believes this agreement will clear the anti-trust objections against its proposed merger as both the courts and the Federal Trade Commission, which is also suing Mobil on anti-trust grounds, are particularly concerned that a merger would create unfair competition in certain oil products markets in a number of mid-western states.

Mobil has also indicated that should it lose it might buy up to 25 per cent of U.S. Steel in a round-about effort to acquire the oil and gas assets of Marathon from the steelmaker.

Corning Glass forecasts final quarter downturn

BY OUR FINANCIAL STAFF

CORNING GLASS Works, the U.S. specialty glass group, has forecast a sharp downturn in final quarter earnings to near break-even, before taking into account a $10m after-tax write-off on some of its European operations.

The company, which has so far reported increased sales and profits for the nine months to the end of September, said that sales and net profits for its final quarter were down significantly from the levels achieved last year.

Unit volumes had fallen by 11 per cent in the opening eight weeks of the quarter "which could erode most of our operating and equity income for the quarter so much that such income should be close to, but above, break-even."

This level of earnings excluded the $10m write-off in European operations, where it has plants mainly in France and the UK.

In the final quarter of last year Corning recorded net profits of $23m and after the opening nine months of the current year net earnings were ahead from $91.7m to $95.9m. For all of 1980 profits came to $114.7m, which was down from the $125m recorded in the previous year.

Mr Amory Houghton, the chairman, said the rapid decline of the U.S. economy had affected several, but not all, of the company's large businesses.

Emhart completes deal

The U.S. industrial machinery maker, has completed the acquisition of a privately-held West German company, Dom Sicherheitstechnik, which makes cylinder locking devices and electronic alarm systems. Dom has two manufacturing plants in Germany and assembly and sales subsidiaries in Switzerland, Austria, France and Spain, Reuter reports.

Bond markets restrained

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

INTERNATIONAL bond markets continued to fluctuate narrowly yesterday, with trading volume and new issue activity restrained ahead of the Christmas holidays.

The only primary market activity was reported to be in Switzerland where Credit Suisse set a 6¾ per cent coupon on the SwFr 100m, 10-year issue for NYK Lines, the Japanese line. The issue price has been set at 99¾ per cent.

Also in Switzerland General Motors Acceptance Corporation is arranging a SwFr 200m private placement through UBS. The five-year notes bear a 6¾ per cent coupon and are priced at par.

In the secondary market dollar Eurobonds moved up by ¼ points yesterday in thin business. D-mark bonds were about ¼ point lower

General Instrument gain

BY OUR FINANCIAL STAFF

THIRD-QUARTER and nine-month earnings have reached record levels at General Instrument, the U.S. group which holds leading market positions in automated on-track and off-track betting equipment and cable television products.

Net earnings for the latest three months increased by 36.7 per cent, from last year's $17.7m to $24.2m, boosting the nine-month total by 31.5 per cent, from $49.3m to $65.5m. Third-quarter sales advanced by 19 per cent from $210.9m to $251m, lifting nine-month returns 13 per cent from $618.6m to $698.6m.

For the year to date, earnings are equivalent to $2.20 a share, against $1.84 last year, with the latest period contributing 80 cents against 66 cents previously.

National Bank of Abu Dhabi to lift capital

By Mary Frings in Bahrain

THE NATIONAL BANK of Abu Dhabi is to raise UAE Dh 1.35bn (about $365m) in in new equity capital. The move will bring its capital and reserves to Dh 1.65bn ($450m). The funding comes in addition to the Dh 750m subordinated loan provided last year by the bank's 70.1 per cent shareholder, the Abu Dhabi Investment Authority.

Shareholders have approved an increase in the authorised capital to Dh 1 bn. from 100m. The paid-up capital is to be increased to Dh 600m. from Dh 100m. A scrip issue of 1m shares of Dh 100 each is to be made and there is a 3m face value share offer with a Dh 200 premium to existing holders, and a 1m share offer to the UAE public at a premium of Dh 350m.

UAE nationals hold the balance of the shares in the banks, after settin gaside the Abu Dhabi Investment Authority's 70.1 per cent.

NBAD has appeared to be under-capitalised for the scale of its operations as the channel for a substantial slice of Abu Dhabi's oil revenues and investment funds. At the end of 1980, it ranked tenth among Arab banks worldwide, with assets of Dh 17.5bn ($4.76bn). The low capital has ben largely countered in its effect by its Government backing.

U.S. QUARTERLIES

COLLINS & AIKMAN

	1981-82	1980-81
Third quarter	$	$
Revenue	175.3m	155.4m
Net profits	5.2m	4.1m
Net per share	0.48	0.33
Nine months		
Revenue	521.0m	449.5m
Net profits	15.4m	11.3m
Net per share	1.39	0.91

ESMARK

	1981	1980
Fourth quarter	$	$
Revenue	849.9m	758.9m
Net profits	27.44m	15.98m
Net per share	2.10	0.63
Year		
Revenue	3.13bn	2.73bn
Net profits	99.57m	54.33m
Net per share	7.49	1.90

HOLLY CORPORATION

	1981-82	1980-81
First quarter	$	$
Revenue	147.5m	96.4m
Net profits	5.79m	1.39m
Net per share	0.68	0.17

JEWEL COMPANIES

	1981-82	1980-81
Third quarter	$	$
Revenue	1.15bn	951.7m
Net profits	13.9m	10.9m
Net per share	1.03	1.01
Nine months		
Revenue	3.73bn	3.05bn
Net profits	65.0m	33.4m
Net per share	5.20	2.96

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday January 12. Closing prices on December 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16¼ 88	100	100¾	101¼	−0⅛	−0½	16.21
APS Fin. Co. 17¼ 91	60	102	102½	0	−1¼	16.48
Armco O/S Fin. 15⅞ 86	50	99¾	100	+0⅛	+0⅞	15.44
Bank Montreal 16¾ 91	150	100¾	100¾	0	0	16.16
Br. Colum. Hyd. 16⅝ 88	100	102	102¾	−0⅛	−0⅛	15.66
Br. Colum. Mia. 17 97	54	102¾	103¼	+0⅛	−0⅛	16.41
Can. Nat. Rail 14⅞ 91	50	97¾	97¾	−0⅛	−1¼	15.45
Caterpillar Fin. 16⅝ 86	100	102	102½	−0⅛	−0⅝	15.76
CFMP 16¾ 96	100	102¼	102¾	0	−0⅝	16.26
CIBC 16¾ 91	100	99¾	99¾	−0⅛	−1⅛	16.11
Citicorp O/S 16⅞ 86	150	103	103½	+0⅛	−1⅛	15.69
Cities Service 17 88	150	103¾	103¾	0	−0⅛	16.02
Con. Illinois 14⅞ 84	150	99¾	99¾	+0⅛	+0⅛	14.83
Cons.-Bathurst 17⅞ 88	60	102¾	103	0	−0⅝	16.77
CPC Fin. 16⅝ 86	50	102¾	104⅛	0	−0⅛	15.47
Dupont O/S 14⅝ 88	400	96⅝	99⅝	+0⅛	−0⅛	14.76
EIB 16½ 91	100	102¾	102¾	0	−0⅛	15.78
EIB 16⅞ 91	100	102¾	103¾	0	−0⅛	15.97
GMAC O/S Fin. 16⅝ 84	300	102¾	101¾	+0⅛	−0⅛	15.98
Gulf States O/S 17⅝ 88	50	103¾	104⅛	0	−1⅛	16.42
IBM Wld Trade 14⅝ 86	300	101⅝	102¼	0	−0⅛	13.88
Nat. Bk. Canada 16⅞ 88	40	100¾	100¾	+0⅛	0	17.08
New Brunswick 17 88	75	102¾	104⅛	−0⅛	−0⅛	15.94
Newfoundland 17⅛ 89	60	102⅝	102⅞	+0⅛	−0⅝	15.81
New. & Lab. Hy. 17⅛ 89	75	103	103¾	0	−0⅛	16.46
Ohio Edison Fin. 17⅛ 88	75	101¼	102¼	+0⅛	−0⅛	16.50
OKG 15⅝ 97	50	97⅝	98	−0⅛	−0⅛	16.10
Ontario Hyd. 16 91 (N)	200	100¾	100¾	−0⅛	−0⅛	15.85
Pacific Gas Elec. 16 88	75	101¼	101¾	+0⅛	−0⅛	15.58
PSNH Int. Fin. 17 86	30	102¼	102¾	+0⅛	−0⅛	16.15
Quebec Hydro 17⅛ 91	100	105	105½	+0⅛	−1⅛	16.11
Quebec Province 15⅝ 89	150	96⅝	97⅛	+0⅛	+0⅛	15.91
Saskatchewan 16⅝ 88	100	100¾	101¼	0	−0⅛	16.01
Shell Canada 17⅛ 91	150	102¼	102¾	−0⅛	−1⅛	15.13
Sweden 14⅞ 88	150	95⅝	95⅞	+0⅛	−1⅛	15.67
Swed. Ex. Cred. 16⅝ 93	75	101¼	101¾	+0⅛	−0⅛	16.19
Tenneco Int. 17 89	100	103¼	104¼	−0⅛	−1	16.02
Transcanada 17⅝ 88	75	104¼	104¾	+0⅛	−1	16.50
Transcanada 16 89	100	99⅝	99⅞	+0⅛	−0⅛	16.26
Walt Disney 15⅝ 86	100	101¼	101¾	+0⅛	−0⅛	15.25
Winnipeg 17 86	60	102⅝	104	0	−1⅛	15.78
World Bank 16 86	210	101¼	101¾	+0⅛	−0⅛	15.38
World Bank 16 88	80	101½	102¼	0	−0⅛	15.45
World Bank 16⅞ 86	130	102⅝	103⅛	+0⅛	−0⅛	16.07
World Bank 16⅛ 88	100	103	103⅛	+0⅛	0	15.54
Average price changes... On day +0⅛ on week −0⅛						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	101⅝	102½	−0⅛	−0⅛	10.00
Asian Dev. Bank 10⅞ 90	100	101¾	102⅛	−0⅛	−0⅛	10.37
Austria Rep. of 8⅝ 92	150	91⅞	92⅛	−0⅛	−1⅛	9.46
Belgelectric 11 91	150	100¾	101	−0⅛	−0⅛	10.86
CECA 10 91	150	100⅛	101	−0⅛	−1⅛	9.82
Council of Europe 10 91	100	100½	101⅛	+0⅛	+0⅛	9.86
Cncl. of Europe 10⅝ 91	150	100¾	101⅛	+0⅛	+0⅛	10.11
EIB 8⅝ 91	100	93⅝	94⅛	−0⅛	−0⅛	9.50
EIB 10⅜ 91	200	102⅛	103⅛	+0⅛	−0⅛	10.01
ESCOM 9⅝ 87	100	97	97⅛	−0⅛	−1⅛	10.42
Finland, Rep. of 10 89	100	100¼	100⅝	−0⅛	−0⅛	9.96
Ind. Bk. Finland 8⅝ 90	50	91⅝	92⅛	0	0	9.88
Int.-Am. Dv. Bk. 10 91	100	100¼	100¾	+0⅛	+0⅛	9.88
Japan Air Lines 9⅛ 87	100	96⅝	96⅞	−0⅛	−0⅛	9.99
Japan Dev. Bk. 7⅞ 87	100	92	93⅛	−0⅛	−0⅛	9.98
Midland Int. Fin. 8⅝ 90	100	93⅝	94⅛	−0⅛	−0⅛	9.62
Mt Bk. Dnmk. 10⅝ 91	100	99¾	100⅛	−0⅛	−0⅛	10.49
Nat. West. 11 91	150	101¼	101⅝	−0⅛	−0⅛	10.24
OXB 10⅝ 91	100	100¾	100¾	0	0	10.81
Renault Accept. 10⅝ 86	100	100¾	101	−0⅛	−0⅛	10.36
Swed. Ex. Cred. 10⅛ 91	100	100	100⅛	−0⅛	−0⅛	10.37
Venezuela, R. of 9⅝ 90	150	94⅝	95⅛	+0⅛	+0⅛	10.69
World Bank 11 91	200	102¼	102⅝	+0⅛	+0⅛	10.27
Average price changes... On day −0⅛ on week −0⅛						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 8⅛ 91	80	104	95	0	−0⅛	7.33
Asian Dev. Bank 8 90	80	101¼	101¾	−0⅛	−1⅛	7.74
BFCE 6⅛ 91	100	106	97	−0⅛	+0⅛	7.03
Belgelectric Fin. 7⅝ 91	100	100¼	102⅛	−0⅛	−0⅛	7.52
Bell Canada 7⅝ 93	100	103¼	104	0	−0⅛	6.76
Bergen, City of 6⅝ 91	40	97¾	97¾	−0⅛	−0⅛	6.87
Bet. de Autopistas 8 90	50	100	100⅛	−0⅛	−0⅛	7.98
CECA 6⅝ 91	80	99¾	99⅞	−0⅛	−0⅛	6.82
Dome Petroleum 5⅝ 91	123	94⅛	94⅝	+0⅛	+0⅛	6.84
Dome Petroleum 7⅝ 90	80	103	103¾	−0⅛	+0⅛	6.73
Franc. Petroles 6⅝ 91	50	96	95⅝	+0⅛	−0⅛	7.21
Genstar 7 91	100	101⅛	101¾	−0⅛	−0⅛	6.84
Int. Amer. Dv. Bk. 7 91	100	98¾	98¾	−0⅛	−0⅛	7.20
I/S Elsam 8⅛ 91	40	103¾	104	+0⅛	+0⅛	7.91
Japan Air Lines 7⅛ 91	100	102¾	103¼	0	−0⅛	6.84
Neder. Gasunie 8 91	100	105¼	105¾	−0⅛	−0⅛	7.65
OKB 7 93	100	99¾	100	−0⅛	+1	7.23
OKB 7⅛ 91	100	100¼	100¾	−0⅛	−0⅛	7.04
Oslo, City of 8 91	100	99⅛	99⅝	−0⅛	−0⅛	8.00
Saint Etienne 8⅝ 91	40	103	103¾	−0⅛	−0⅛	7.25
Swed. Ex. Credit 7⅛ 91	75	97⅝	98	−0⅛	−0⅛	7.69
TNT O/S Fin. 8 91	50	1104	104⅝	−0⅛	−0⅛	7.88
Unilever NV 7⅝ 93	100	103¾	104⅛	+0⅛	+0⅛	6.98
World Bank 6 91	100	93	93⅛	−0⅛	−1⅛	6.5
World Bank 7 90	100	99¾	100	−0⅛	−1⅛	7.01
World Bank 8 91	100	103⅛	104	0	−1⅛	7.43
Average price changes... On day −0⅛ on week −0⅛						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅛ 91	15	99⅝	101⅛	+1¼	+0⅛	8.24
Australia 8⅛ 82	20	99⅝	99⅞	+0⅛	+0⅛	8.26
EIB 7⅝ 89	12	98	99	0	+0⅛	8.01
Finland, Rep. of 8⅞ 87	15	99⅛	100⅛	+0⅛	+0⅛	8.44
Int.-Amer. Dev. 8⅛ 91	15	101⅛	102⅛	+0⅛	+0⅛	8.44
New Zealand 8⅛ 87	15	100	101	+0⅛	+0⅛	8.24
Average price changes... On day −0⅛ on week +0⅛						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can Utilities 17 96 C$	50	198⅛	99	+0⅛	+0⅛	17.24
Federal Dev 17⅛ 86 C$	40	100	104	−0⅛	−0⅛	16.99
GMAC (Can) 18 87 C$	60	1104	105	−0⅛	−0⅛	16.67
Rapcanadian 16⅝ 88 C$	60	198	199	0	0	16.98
Queb. Urban 16⅝ 86 C$	50	97⅝	98	−0⅛	−0⅛	17.08
Royal Tr. 17⅛ 86 C$	40	1100⅛	101⅛	+0⅛	+0⅛	16.94
Tordom Cpn. 17⅛ 85 C$	40	198⅛	99⅝	−0⅛	−0⅛	18.40

(EUA, Fl, FFr, £, LuxFr issues)	Issued	Bid	Offer	Change on day	Change on week	Yield
M. Bk. Dnmk. 9 91 EUA	25	82⅞	84⅛	−0⅛	+2⅛	11.92
SOFTE 8⅛ 89 EUA	40	78⅛	79⅛	−0⅛	+0⅛	12.82
U. Bk. Nwy. 9⅛ 90 EUA	18	91	91⅛	0	+1⅞	11.14
Algemene Bk. 10⅛ 86 Fl	60	98⅝	99⅛	+0⅛	+1⅛	10.57
Amfas Group 12⅛ 86 Fl	40	102⅛	102⅝	+0⅛	+1⅛	11.51
Amro Bank 12 86 Fl	75	101⅛	102⅛	+0⅛	+1⅛	11.32
Amro Bank 12 86 Fl	50	100⅛	101⅛	+0⅛	+0⅛	11.49
Heineken NV 10 87 Fl	100	95⅛	96⅛	+0⅛	0	10.96
Pierson 10⅛ 86 Fl	50	97⅛	97⅝	0	+1⅛	11.04
Rabobank 12 86 Fl	50	101	101⅛	−0⅛	0	11.58
Air France 14⅛ 86 FFr	200	92⅛	93⅛	−0⅛	+0⅛	16.88
Bk. America 14⅛ 86 FFr	250	93⅛	94⅛	−0⅛	−0⅛	16.58
Charb'nages 13⅛ 86 FFr	300	93⅛	94⅛	−0⅛	+0⅛	16.54
EIB 14⅛ 88 FFr	200	89	90	0	+0⅛	17.02
La. Redoute 14⅛ 85 FFr	125	91	92	0	+0⅛	17.49
OKB 14 88 FFr	400	91⅛	92⅛	+0⅛	+0⅛	16.88
Solvay et C. 14⅛ 86 FFr	200	92⅛	93⅛	−0⅛	−0⅛	17.31
Swed. E. Cr. 14⅛ 86 FFr	250	92	93	0	+0⅛	17.14
U. Mex. Sts. 14 85 FFr	150	91⅛	92⅛	0	+0⅛	17.25
Acona 14 85 £	20	91	92	−0⅛	+0⅛	16.87
Beneficial 14⅛ 90 £	20	84⅛	85⅛	−0⅛	+0⅛	17.70
BNP 13⅛ 91 £	15	85⅛	86⅛	0	−0⅛	16.60
CECA 13⅛ 88 £	20	90	91	0	+0⅛	15.84
Citicorp O/S 13⅛ 90 £	50	88⅛	89⅛	+0⅛	−1⅛	15.92
Fin. Ex. Cred. 13⅛ 86 £	15	91⅛	92⅛	+0⅛	+0⅛	16.28
Gen. Elec. Co. 12⅛ 89 £	50	87⅛	88⅛	0	−0⅛	15.31
Hiram Walker 14⅛ 86 £	25	93⅛	94⅛	+0⅛	+0⅛	16.07
Privatbanken 14⅛ 86 £	12	92⅛	93⅛	+0⅛	+0⅛	16.22
J. Rothschild 14⅛ 90 £	12	94⅛	95⅛	+0⅛	+0⅛	16.45
Royal Trustco 14 86 £	12	94⅛	95⅛	+0⅛	+0⅛	15.80
Swed. Ex. Cr. 13⅛ 86 £	20	91	92	0	−1⅛	16.63
Akzo 9⅛ 87 LuxFr	500	85⅛	86⅛	−0⅛	−0⅛	12.74
Euratom 9⅛ 89 LuxFr	500	85⅛	86⅛	−0⅛	−1⅛	13.42
Eurofima 10⅛ 87 LuxFr	500	89	90	−0⅛	−0⅛	13.16
EIB 9⅛ 88 LuxFr	600	86⅛	87⅛	−0⅛	+0⅛	13.12
Volvo 9⅛ 87 LuxFr	500	86⅛	87⅛	0	−0⅛	13.12

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5⅛ 90	0⅛	99⅛	100	18/12	16⅝	16.79
Bank of Montreal 5⅛ 91	0⅛	99⅛	99⅛	29/4	17.06	17.13
Bank of Tokyo 5⅛ 91	0⅛	98	98⅛	10/6	13⅛	13.49
Bk. Nova Scotia 5⅛ 93	0⅛	99⅛	100⅛	25/4	17.06	17.06
BBL Int. 5 88	0⅛	98⅛	99⅛	20/5	13⅛	13.87
BFCE 5⅛ 88	0⅛	98⅛	99⅛	2/6	16⅝	16.96
BNP 5⅛ 91	0⅛	98⅛	98⅛	3/2	15.98	15.72
Christiania Bk. 5⅛ 91	0⅛	98⅛	99	14/6	16.69	16.90
Co-Ban Eurofin 5⅛ 91	0⅛	96⅛	97⅛	4/12	15.36	12.89
Den Norske Cred. 5⅛ 93	0⅛	97⅛	98⅛	4/12	13.28	12.86
Genfinance 5⅛ 91	0⅛	100	100⅛	30/4	17.06	17.00
Genfinance 5⅛ 92	0⅛	99⅛	99⅛	20/12	18.31	18.30
Giro und Bank 5⅛ 91	0⅛	98	98⅛	23/12	17⅛	17.63
GZB 5⅛ 92	0⅛	98⅛	99	5/3	13⅛	13.29
Ind. Bank Japan 5⅛ 88	0⅛	99	99⅛	1/6	13.31	13.45
Lloyds Eurofin 5⅛ 93	0⅛	98⅛	98⅛	23/4	17.13	17.19
LTCB Japan 5⅛ 89	0⅛	99⅛	99⅛	16/1	18.32	18.46
Midland Int. Fin. 5 91	0⅛	99⅛	100⅛	30/4	17.08	17.06
National Fin. 5⅛ 88	0⅛	98	98⅛	25/3	17.31	17.62
Nat. Bk. Canada 5⅛ 88	0⅛	99⅛	100⅛	24/3	17.31	17.23
Nat. West. Fin. 5⅛ 91	0⅛	99⅛	100⅛	22/4	17	17.02
Nat. West. Fin. 5⅛ 92	0⅛	98⅛	99⅛	15/6	17	15.92
Nordic Int. Fin. 5⅛ 91	0⅛	98⅛	99⅛	10/6	16.83	17.02
Offshore Mining 5⅛ 91	0⅛	98	98⅛	2/6	16	16.33
Pemex 5⅛ 91	0⅛	98	98⅛	8/4	17	17.20
Pemex 5⅛ 88	0⅛	98⅛	99⅛	14/2	16.81	16.78
Sanwa Int. Fin. 5⅛ 88	0⅛	99⅛	100⅛	24/2	17⅛	17.27
Sec. Pacific 5⅛ 91	0⅛	98⅛	99⅛	8/4	17⅛	17.49
Societe Generale 5⅛ 91	0⅛	98⅛	99⅛	22/1	18⅛	18.70
Sparebanken 6 87	0⅛	99	99⅛	18/6	16.81	16.89
Standard Chart. 5⅛ 91	0⅛	98⅛	99⅛	18/6	13.81	13.93
Sumitomo Fin. 5⅛ 88	0⅛	99⅛	100⅛	6/2	18.56	18.56
Average price changes... On day 0 on week −0⅛						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5⅛ 96	7/81	933	89⅛	90⅛	−0⅛	0.22
Bow Valley Inv. 8 95	4/81	22.12	103⅛	104⅛	0	17.95
Canon 6⅛ 95	1/81	829	118⅛	120⅛	+2⅛	3.34
Dowa Secs 9⅛ 96	12/81	539	84	86	+2	3.86
Fujitsu Fanuc 4⅛ 96	10/81	6770	104⅛	105⅛	+1⅛	4.98
Furukawa Elec. 5⅛ 96	7/81	300	120⅛	121⅛	−0⅛	0.11
Hanson O/S Fin. 9⅛ 96	8/81	2.16	94	95⅛	−0⅛	4.93
Hitachi Cred. Cpn. 5 96	7/81	1966	94⅛	95⅛	+0⅛	13.16
Inchcape 8 95	2/81	4.55	159	160	+0⅛	25.28
Kawasaki 5⅛ 96	9/81	229	93⅛	95⅛	+0⅛	3.29
Marui 5 96	7/81	531	106⅛	108⅛	+1⅛	9.72
Matsushita El. 7⅛ 95	11/80	580	100⅛	101⅛	+0⅛	−0.32
Minolta Camera 5 96	10/81	726	85	86	+0⅛	6.65
Murata 5⅛ 96	7/81	2190	81	82⅛	+0⅛	20.00
NKK 6⅛ 96	7/81	188	89⅛	101	−0⅛	0.77
Nippon Chemi-C. 5 91	5/81	179	81	81	+1	2.16
Ricoh 6⅛ 95	8/80	604	114⅛	116⅛	+1	6.57
Sanyo Electric 5 96	10/81	652	160⅛	82	0	10.35
Sumitomo Met. 5⅛ 96	10/81	305	84	85⅛	+0⅛	3.23
Swiss Bk. Cpn. 6⅛ 90	9/80	200	173⅛	80⅛	+1⅛	6.85
Taylor Woodrow 8⅛ 90	10/81	1.89	99	100⅛	−1	2.84
Transco Int. 8⅛ 95	2/81	21	162	164⅛	0	26.89
Trio-rp 8⅛ 96	12/80	31.25	172⅛	77	0	46.82
Union Bk. Switz. 5 89	6/81	2790	79⅛	81	0	3.22
Sharp Cpn. 6⅛ 88 DM	3/80	591.8	171⅛	173⅛	+2	−2.01
Uny Co. 6⅛ 85 DM	11/79	879.3	103	104⅛	+0⅛	−2.76

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate († three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

LOSSES LIKELY TO CONTINUE IN 1982

Cii to incur substantial deficit

BY DAVID HOUSEGO IN PARIS

CII HONEYWELL Bull, the Franco-U.S. computer company which the French Government is to nationalise, will suffer substantial losses this year which will probably continue into 1983.

This confirmation of the gloomy outlook for Cii was given by M Roger Farous, the chairman of Saint-Gobain, which is the controlling shareholder in the company, in which Honeywell of the U.S. has a 47 per cent stake.

M Faroux put no figure on the losses, which are expected to amount to between FFr 300m and FFr 500m ($52m to $87m) this year, but said that the company had experienced "a drift in its finances which had gone beyond all expectations." M Faroux was speaking at the annual meeting of Machines Bull, the holding company for the French stake in Cii.

He said orders, especially in the first half of 1981, had fallen strikingly, with the result that stocks had swollen. The company's long- and medium-term debt had grown from FFr 1.48bn at the end of 1979 to FFr 2.3bn a year later and would probably reach FFr 4.6bn by the end of this year.

In an apparent reference to the company's planned reorganisation, he said that Cii was attempting to master its internal problems. Though orders had improved they were still insufficient, he declared.

M Faroux said it was still too early to forecast the outcome of the negotiations over nationalisation with Honeywell. Under its original agreement Honeywell is entitled to between $230m to $270m if Cii is nationalised. Its negotiating position has been strongly affected by Cii's recent losses, which Mr Edson Spencer, chairman of Honeywell, described as extremely disappointing on a visit to Paris last month.

The French Government is anxious to maintain links with Honeywell because of the technology it supplies. Among the compromises that have been discussed is partial reduction of Honeywell's equity stake to 17 per cent and its opting out of future capital increases.

In any event the cost to the French State of covering Cii's losses over the next two years, compensating Honeywell and in making new investment, seems likely to be between FFr 2bn and FFr 3bn.

Norwegian bank to make bonus payout

By Fay Gjester in Oslo

DEN NORSKE CREDITBANK (DnC), Norway's largest commercial bank, has promised shareholders a 2 per cent bonus dividend for 1981 on top of the expected 12 per cent for the year. The bonus is to mark the bank's 125th anniversary, in 1982.

The early announcement of the bank's dividend plans reflects that shareholders will soon be invited to subscribe to a one-for-five rights issue, at par, to raise NKr 112m. The board said it thought it right to let investors have the news now, in view of the issue.

In the first eight months of this year DnC achieved an operating profit of NKr 239.8m ($42m), up by 25 per cent on the 1980 period. As a return on average total assets, however, the eight month operating profit was slightly down to 1.41 per cent compared with 1.43 per cent.

Ateliers des Charmilles forecasts loss

By John Wicks in Zurich

Operational losses of some SwFr 20m ($10.9m) are expected by the Swiss machine-building concern, Ateliers des Charmilles, for the year ending next March. In a letter to shareholders the directors say that the expected net deficit can be covered from unpublished reserves, but add that they recommend the passing of a dividend for fiscal 1981-82.

The company, in which the Swiss Bank Corporation has a substantial stake, foresees large-scale redundancies at its Geneva headquarters. Charmilles has already introduced short-time working in Switzerland.

At the same time, the company has taken steps to stop diversification and concentrate its efforts on electrical discharge machine tools, which already account for 70 per cent of turnover, and the "electro-curtain" process of the U.S. subsidiary.

Both Swiss Bank Corporation and Paribas Suisse, which also holds a stake in Charmilles, have expressed their readiness to continue to "co-operate" with the company and the directors believe that Charmilles should be able to return to profits in two to three years.

Landis & Gyr pessimistic

By Our Financial Staff

LANDIS & GYR, the Swiss electrical group, expects next year's earnings to be affected "negatively" by a strong Swiss franc and higher labour costs.

Earlier this week the company reported a decline to SwFr 54m ($29.6m) from SwFr 59m in net profits for 1980-81. Sales rose 12 per cent to SwFr 1.29bn.

Dutch textile group sees profit

BY CHARLES BATCHELOR IN AMSTERDAM

THE REORGANISATION at Nijverdal-Ten Cate, the Dutch textile group, is expected to produce a small profit this year after the 1980 loss of Fl 16.2m ($6.5m). The programme of closing unprofitable activities and adapting capacity to the market has been successful, although further cuts may be necessary, said Mr Joop Raymakers, the chairman.

The company, the largest in the cotton, rayon and linen sector of the hard-pressed Dutch textile industry, hopes to continue its recovery in 1982. Further provisions will be needed, however, to meet the cost of the reorganisation of a number of weak areas of its operation. Ten Cate has been able to reduce considerably its bank borrowings.

The forecast of a profit in the full year indicates a return to the black in the second half of 1981. In the first half the company incurred a net loss of Fl 1.1m on sales of Fl 231m. This was an improvement on the 1980 half year, when the net loss amounted to Fl 5.9m on sales of Fl 239m.

In the first half, Ten Cate said that apart from the restructuring an improved performance by its foreign operations had contributed to the recovery. It has subsidiaries in South Africa, Greece and West Germany, as well as sales offices in seven European countries.

● Hochtief, the West German construction group, has acquired the Broekhoven dredging subsidiary of Internatio-Mueller (IM), the Dutch trading and industrial group. The price was not released but IM earlier said the sale would free Fl 130m ($52m) of assets.

IM revealed in September that because of a decline in its profits it would be forced to sell Broekhoven, which it described as "very profitable," to raise funds for use elsewhere in the company. Broekhoven required investment of Fl 100m to increase the size of its dredger fleet and this money was not available. Broekhoven employs about 400 and is active in Asia, particularly Pakistan.

● Boskalis Westminster, the Dutch contractor, has increased its capital by the private replacement of Fl 15m ($6m) of new shares. It has also taken up a Fl 50m, 15-year subordinated loan at 13 per cent with the National Investment Bank, a semi-government institution.

The company dropped plans to make a rights issue because of the poor state of the stock market. The 230,770 depositary shares at Fl 65 each were placed with Netherlandse Participaties-mij (NPM) is owned by a number of banks and insurance companies.

United Breweries growth slows

BY HILARY BARNES IN COPENHAGEN

SLOWER profits growth for this year was forecast yesterday by United Breweries, the Danish group best known for its Tuborg and Calsberg grands.

Speaking at the company's annual meeting, Professor Kristof Glamman, chairman of the supervisory board, told shareholders that demand both at home and abroad was being checked by uncertain trading conditions.

However, the company would "maintain its position in the coming years" helped by its wide sales spread and through recent diversification into non-brewing operations.

Professor Glamman underlined the importance of United Breweries' UK divisions, which last year contributed close to half of group profits.

Carlsberg Brewery in the UK increased profits from DKr 59m to DKr 97m ($13.2m) within an increased group total of DKr 211m. In the year ended September, 1980, the United Breweries earned a net profit of DKr 175m.

Despite tough competition and declining beer consumption in the UK, Carlsberg Breweries was able to increase its market share and strengthen its position as a leading supplier of lager. The amount of Tuborg and Carlsberg beer brewed abroad rose by 8.3 per cent to account for slightly more than half total volume sales in 1980-81. Sales in Denmark increased by 1.1 per cent, while exports fell by 5.4 per cent.

The company has plans to expand its Malaysian brewery

Malaysia's boardrooms feel the wind of change

BY WONG SULONG IN KUALA LUMPUR

DATUK JUNUS SUDIN, one of Malaysia's most prominent businessmen, is to lose another important post, as part of the sweeping corporate changes taking place under Malaysia's new political leadership.

In addtiion to being replaced as chairman of Malaysian Mining Corporation, the world's biggest tin mining company, from January 1 as announced earlier this month, he is being replaced as managing director of the New Straits Times, the country's biggest and most profitable newspaper group. His removal at the newspaper group fulfils forecasts circulating here for some time.

Mr Zakuan Ariff, currently deputy managing director of New Straits Times, is promoted to the managing directorship. The New Straits Times is effectively controlled by the ruling United Malays National Organisation (Umno).

Datuk Junus, a 45-year-old chartered accountant, is a close associate of Tengku Razaleigh, the Finance Minister, who is currently out of favour under the Government of Prime Minister, Dr Mahathir.

Tengku Razaleigh lost the number-two post in the Umno party to Datuk Musa Hitam, a close ally of Dr Mahathir. Dr Mahathir, who became Prime Minister in July, made Musa his deputy. The two (known as M1 and M2) have since made their ideas felt in the corporate sector, as witnessed by changes at Malaysia's leading banks and other corporations in which the Government has a substantial stake.

In the City of London, Datuk Junus is remembered for the takeover of London Tin, which was later merged with the Charter Consolidated group of tin companies in Malaysia to form Malaysia Mining Corporation, now renamed under the same, broad, style following this year's merger with Malayan Tin Dredging.

He was also responsible for the takeover of the Straits Times operations in Malaysia (named as those of the New Straits Times) in 1974. He also played a leading role in Malaysia stepping up its interest in Sime Darby, the diversified plantations, trading and industrial group, in 1975, and is today a director of Sime.

Replacing him at MMC is Mr Desa Pachee, former general manager of Permodalan Nasional, the Government's investment agency, which holds 56 per cent of MMC.

VicRail in leveraged lease deal

By Graeme Johnson in Sydney

THE STRICT budgetary allocations imposed on Australian semi-Government bodies by the Federal Government, has forced yet another public utility into the market for funds.

VicRail, the state of Victoria's rail authority, has embarked on a leveraged lease finance programme valued at A$118m (U.S.$134m) and yesterday announced that Armco Australian Financial Corporation had been the successful tenderer for the A$52m first stage which will fund new rail carriages and the upgrading of locomotives.

Tenders for a A$66m package for new suburban trains were called yesterday.

The decision to finance improvements to rail facilities this way contrasts sharply with past financing practice, where funding was normally restricted to Government channels.

VicRail's advisors, Tricontinental Corporation, indicated that leveraged leasing interest charges were about 3 to 4 percentage points below market rates for funds.

The Victorian Government is presently discussing legislation which, if passed, will enable VicRail to raise funds on the money markets and through public debt issues.

Currency loss and higher tax depress Sony profits

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

SONY, one of Japan's leading maker of colour television sets and video tape recorders, registered a substantial increase in consolidated sales and operating income in the year ended October 31. But net profits dropped 10 per cent, reflecting what the company describes as higher "actual" income tax rates and foreign exchange losses caused by yen appreciation.

The outlook for the 1982 fiscal year is described as "far from reassuring" but Sony says it hopes at least to maintain its growth with a 15 per cent increase in consolidated sales.

Sales in the 1981 fiscal year grew by 17.7 per cent to $4.82bn with the accent on overseas markets (up 22 per cent) and relatively modest progress in the Japanese domestic market which now accounts for only 30 per cent of total sales revenue.

The star performer among its products continued to be video tape recorders which scored a 41.4 per cent sales gain and accounted for 27 per cent of sales. It plans to lift production to 250,000 a month next spring from 200,000.

Sony's other highly successful product is the Walkman stereo cassette recorder which contributed to a 28 per cent rise in sales of tape recorders and radios.

Operating income, reflecting the rise in sales, was up 17.9 per cent during the financial year, to $633.8m. However, income before tax showed only a 9.7 per cent rise principally because the appreciation of the yen exposed the company to losses on forward exchange contracts and in the translation of foreign currency earnings into yen. Foreign exchange losses totalled $20.8m compared with gains of $52m in the previous year. Sony says that the losses broke down into $19m worth of losses on forward contracts and $2m of translation losses.

Sony's consolidated net income totalled $267.9m, down 10 per cent from the previous year, reflecting the higher "actual income tax rates." One of the factors affecting the tax liability was the shifting yen exchange rate.

In 1980, under the U.S. accounting regulation FAS 8, Sony enjoyed a positive margin between the rate at which its foreign currency-denominated sales revenue was translated into yen and the rate for translating sales costs. The yen-denominated revenue resulting from this difference is not liable for tax under Japanese law.

In the 1981 fiscal year, the margin between the translation rates was negative with the result that a higher proportion of the company's income was liable for tax.

Sony will exercise the option to shift its accounting procedures to the newly approved FAS 52 formula during the current financial year. The company believes that this will result in less distortion than under the FAS 8 system.

Sony's parent company results, which were also published yesterday, show a 47.3 per cent increase in net profit to Y47.1bn ($216m). Sales were up 28.6 per cent to Y777.9bn with exports rising 38.5 per cent.

Mr Akio Morita, Sony's chairman: VTRs now account for 27 per cent of sales

James Hardie increases interim payout

By Graeme Johnson in Sydney

JAMES HARDIE Industries, the diversified Australian building materials group, lifted earnings 25.8 per cent from A$14.3m (U.S.$16.3m) to A$18.03m in the September half-year. The increase was despite static conditions in the housing industry and major capital expenditure.

The profit was made on revenues 39.3 per cent higher at A$462.02m. The interim dividend is increased from 10 cents a share to 11 cents, more than twice covered by earnings of 27.6 cents a share, up from 24.3 cents.

The directors said although housing construction activity was higher in Queensland, overall levels were static during the period and remain so.

In spite of some diversification, the group still derives most of its revenue from building products and has around 60 per cent of its funds invested in that area.

Improved profitability from all five of the company's divisions and contributions from recently absorbed acquisitions contributed to the improved result.

Exports surge lifts Toyo Kogyo to record

BY YOKO SHIBATA IN TOKYO

TOYO KOGYO, the Japanese manufacturer of Mazda cars and trucks, has turned in record operating profits and sales for its fiscal year ended October 31. The earnings upsurge was attributed to booming exports to unrestricted markets such as South East Asia and Oceania (the Pacific region) as well as large orders from East Germany and Libya.

Unconsolidated operating profits rose 5.2 per cent to Y40.86 ($187m), while net profits surged 26.5 per cent to Y19.91bn on full-year turnover of Y1,163bn ($5.3bn), up 12.8 per cent from a year earlier. Per share profits improved to Y27.05 from Y22.96.

The company was concerned about the impact of export restrictions on the U.S. and European markets since exports account for about 68 per cent of overall sales.

Sales to the U.S. fell by 12.6 per cent to 243,000 units, but sales to Europe rose 13 per cent to 209,000 units. Sales to other areas, mainly through subsidiaries of Ford Motor of the U.S. which has a minority stake in Toyo Kogyo, rose sharply.

Southeast Asia sales were up by 43 per cent to 105,000 units, Oceania by 72 per cent to 94,000, Central and South America by 42 per cent to 34,000 and Africa by 29 per cent to 80,000.

Sales through Ford accounted for 10 per cent of total sales, up from 8 per cent a year earlier.

As a result, Toyo Kogyo, unlike other Japanese car makers, lifted exports. They rose 14 per cent to 869,566 units and 24 per cent in value to Y719.64bn. Meanwhile, domestic sales totalled 376,130 units, down 25,307 units.

The company's liquidity increased to Y216.5bn from Y61.7bn because of fundraising operations which includes Y10bn of ordinary debentures, Y10.7bn of Swiss franc convertible bonds, and Y22.6bn of short-term borrowings.

Special gains aid Regal and Paliburg

By Our Hong Kong Correspondent

REGAL HOTELS and its associate, Paliburg Investments, a property developer, have made net after-tax profits of HK$105.03m (U.S.$18.9m) and HK$86.35m respectively for the year ended September 30. No valid comparisons are available because both companies were reorganised in the year.

The reorganisation of the Great Eagle Property group, which is 75 per cent owned by the Lo family, resulted in the flotation in October last year of Regal, which is now 73 per cent owned by the Lo family and associates through private holdings and through Great Eagle. It also resulted in the purchase and reorganisation early this year of Paliburg, which is 49 per cent owned by Regal and 10 per cent owned by the Lo family and associates.

The profit figures include extraordinary gains of HK$56.3m for Regal, arising mainly from the sale of properties to Paliburg, and HK$ [illegible].3m for Paliburg, mainly coming from the sale of shares in China Motor Bus following an unsuccessful attempt to gain control of the Hong Kong bus company in July.

Regal Hotels has declared a final dividend of 9 cents a share to bring the total to 13.5 cents for the year. Paliburg shareholders will receive a final dividend of 7.5 cents a share.

Earnings per share before extraordinaries were 40.9 cents for Regal and 33.4 cents for Paliburg.

CURRENCIES, MONEY and GOLD

$ & £ easier

Dollar fell slightly against most currencies in very quiet pre-Christmas trading, although the U.S. currency was supported by continuing nervousness about the situation in Poland, while the firmer trend in Eurodollar interest rates left the dollar close to its best level of the day at the finish.

Sterling showed little change against the dollar, but was slightly weaker against major currencies in general.

European currencies were generally featureless, but the Belgian franc continued to lose ground within the European Monetary System, after its dramatic move from the bottom of the system to the top on Tuesday. Forward dealing rates on the Belgian currency remained very wide, with Euro-franc interest rates correspondingly high, as an indication of continuing nervousness about the position of the franc.

DOLLAR — trade-weighted index (Bank of England) rose to 107.3 from 107.2. The U.S. currency eased to DM 2.2760 from DM 2.2770 against the D-mark; to FFr 5.7550 from FFr 5.7625 against the French franc; and to SwFr 1.8240 from SwFr 1.8275 in terms of the Swiss franc, but rose to Y218.25 from Y218.10 against the Japanese yen.

STERLING — trade-weighted index (Bank of England) fell to 90.1 from 90.2, after opening at 90.4 and standing at 90.4 at noon. The pound opened at $1.8925-1.8935, and reached a peak of $1.8960-1.8970. The low point of $1.8840-1.8850 was touched in the late afternoon, with sterling closing at $1.8860-1.8880, a fall of 2½ points on the day. The pound eased to DM 4.2950 from DM 4.2975; to FFr 10.8550 from FFr 10.87; and to SwFr 3.4425 from SwFr 3.4475. It improved to Y412 from Y411.75 against the yen.

D-MARK—Showing a slightly firmer tendency compared with levels set after October's reshuffle of the European Monetary System. However, against the dollar the D-mark has steadily lost ground this month although it is still much firmer than levels touched earlier this year—The Bundesbank sold $6.35m when the dollar rose to DM 2.2730 from DM 2.2700 at the fixing. Later in the day the U.S. currency improved slightly further to DM 2.2755, which was little changed from the opening level, with trading very thin throughout. Sterling was unchanged at DM 4.3050 at the fixing, while the Swiss franc rose to DM 1.2503 from DM 1.2420. Within the EMS the French franc rose to DM 39.52 per 100 francs from DM 39.46, but the Belgian franc fell to DM 5.9640 per 100 francs from DM 6.01, reversing its much firmer trend earlier this week.

FRENCH FRANC — Recent changes within the EMS, involving a devaluation of the franc, has left the French currency fairly close to the top of the system. Paris interest rates have reflected movements in U.S. rates, showing a firmer trend over the last few weeks, but now declining once again, while the Bank of France recently cut its money market intervention rate —The franc showed mixed changes at the Paris fixing, weakening against the dollar, D-mark, Swiss franc and Japanese yen, but improving in terms of sterling, the Dutch guilder and Italian lira. The dollar rose to FFr 5.7580 from FFr 5.7560, but eased to FFr 5.7525 in the afternoon. The D-mark improved slightly to FFr 2.5326 from FFr 2.5325, and the Swiss franc to FFr 3.1650 from FFr 3.1496, but sterling fell to FFr 10.8820 from FFr 10.9050.

THE POUND SPOT AND FORWARD

Dec 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8840-1.8970	1.8860-1.8880	0.38-0.28c pm	2.10	0.94-0.84 pm	1.89
Canada	2.2400-2.2600	2.2435-2.2455	0.15-0.25c dis	−1.07	0.55-0.75dis	−1.16
Nethlnd	4.68-4.72	4.69¾-4.70¾	1½-1¼c pm	3.83	4⅞-4½ pm	3.93
Belgium	72.60-72.75	72.40-72.55	145-245c dis	−32.29	165-315dis	−13.24
Denmark	13.91-13.97	13.92-13.94	2⅞-1⅞ore pm	2.04	6⅛-4½ pm	1.52
Ireland	1.2030-1.2110	1.2045-1.2065	0.25-0.36p dis	−3.03	0.85-1.01dis	−3.08
W. Ger	4.28-4.32	4.29-4.30	1¾-1½pf pm	4.19	4⅞-4½ pm	4.31
Portugal	123.00-124.50	123.15-123.35	20-190c dis	−10.22	60-400 dis	−7.46
Spain	183.60-185.00	183.80-184.00	20-50c dis	−2.28	90-110 dis	−2.17
Italy	2,286-2,302	2,288-2,290	12½-16½ lire dis	−7.34	43-47 dis	−7.86
Norway	10.93-11.01	10.96-10.98	1¼-3¼ore dis	−2.32	2½-2¼ dis	−0.89
France	10.83-10.94	10.85-10.36	¾-1¾c dis	−1.38	5½-6¼ dis	−2.07
Sweden	10.49-10.56	10.51-10.52	2⅛-1¼ore pm	1.92	6¾-5¾ pm	2.39
Japan	410-416	411½-412½	2.95-2.65y pm	8.15	8.40-8.10 pm	8.01
Austria	30.00-30.27	30.05-30.10	16-11gro pm	5.39	43-33 pm	5.05
Switz.	3.43-3.47	3.43¾-3.44¾	1½-1c pm	4.36	4¾-4¼ pm	5.23

Belgian rate is for convertible francs. Financial franc 82.20-82.30. Six-month forward dollar 1.17-1.07c pm. 12-month 1.40-1.20c pm.

THE DOLLAR SPOT AND FORWARD

Dec 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8840-1.8970	1.8860-1.8880	0.38-0.28c pm	2.10	0.94-0.84 pm	1.89
Ireland†	1.5600-1.5720	1.5640-1.5670	0.75-0.65c pm	5.38	2.10-1.80 pm	5.12
Canada	1.1885-1.1911	1.1898-1.1901	0.33-0.36c dis	−3.48	0.91-0.95dis	−3.13
Nethlnd.	2.4810-2.4910	2.4850-2.4900	0.45-0.35c pm	1.93	1.32-1.22 pm	2.04
Belgium	38.14-38.43	38.41-38.43	90-140c dis	−35.98	110-160dis	−14.08
Denmark	7.3550-7.3800	7.3600-7.3700	par-½ore dis	−0.20	¾-1¼ dis	−0.54
W. Ger.	2.2675-2.2775	2.2755-2.2765	0.35-0.28pf pm	1.66	1.36-1.28 pm	2.31
Portugal	65.25-65.70	65.25-65.65	30-110c dis	−12.83	70-240 dis	−9.47
Spain	97.35-97.70	97.45-97.55	25-35c dis	−3.70	75-95 dis	−3.49
Italy	1,212-1,214¼	1,212¾-1,213¾	9¼-11 lire dis	−10.26	29-32 dis	−10.06
Norway	5.7690-5.8175	5.8075-5.8175	1¾-2¼ore dis	−4.13	1¾-2¼ dis	−1.33
France	5.7450-5.7760	5.7525-5.7575	1.60-1.80c dis	−3.56	5.60-6.10dis	−4.07
Sweden	5.5620-5.5750	5.5650-5.5700	0.10ore pm-0.00dis	0.05	0.70-0.56 pm	0.45
Japan	217.25-218.50	218.20-218.30	1.16-1.06y pm	6.10	3.40-3.30 pm	6.14
Austria	15.92-15.95½	15.94½-15.95½	5¼-3¼gro pm	3.39	14½-10½ pm	3.14
Switz.	1.8150-1.8250	1.8235-1.8245	0.51-0.43c pm	3.09	1.56-1.47 pm	3.31

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Dec. 17	Bank of England Index	Morgan Guaranty Changes%
Sterling	90.1	−33.3
U.S. dollar	107.3	+0.8
Canadian dollar	88.4	−16.5
Austrian schilling	116.7	+24.3
Belgian franc	105.5	+8.8
Danish kroner	87.1	−10.3
Deutsche mark	121.7	+44.0
Swiss franc	152.3	+103.6
Guilder	114.5	+19.3
French franc	80.6	−14.7
Lira	55.4	−57.6
Yen	146.6	+40.8

Based on trade weighted changes from Washington agreement December, 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

Dec. 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.613140	0.569066
U.S. $	12	1.16190	1.07610
Canadian $	15.18	1.38510	1.28304
Austria Sch.	6¾	18.4963	17.1315
Belgian F.	15	43.9721	41.1287
Danish Kr.	11	8.55623	7.93388
D mark	7½	2.65751	2.44975
Guilder	9	2.88442	2.67788
French Fr.	9½	6.68790	6.20374
Lira	19	1408.80	1304.78
Yen	5½	255.178	255.021
Norwgn. Kr.	9	6.72450	6.22536
Spanish Pts.	8	113.314	104.920
Swedish Kr.	11	6.46514	5.98551
Swiss Fr.	6	2.12686	1.97250
Greek Dr'ch.	20½	—	61.9083

OTHER CURRENCIES

Dec. 17	£	$		£ Note Rates
Argentina Peso	13,355-13,375†	7073-7093†	Austria	30.00-30.30
Australia Dollar	1.6650-1.6680	0.8830-0.8835	Belgium	81.25-83.28
Brazil Cruzeiro	235.20-236.20	124.80-125.42	Denmark	13.90-14.02
Finland Markka	8.241-8.273	4.3730-4.3750	France	10.85-10.95
Greek Drachma	106.875-110.147	57.40-57.60	Germany	4.28-4.32
Hong Kong Dollar	10.648-10.668	5.6475-5.6525	Italy	2270-2300
Iran Rial	149.00*	79.45*	Japan	413-418
Kuwait Dinar (KD)	0.528-0.534	0.2812-0.2814	Netherlands	4.68¼-4.72¼
Luxembourg Fr.	72.40-72.55	38.41-38.43	Norway	10.91-11.01
Malaysia Dollar	4.2420-4.2520	2.2500-2.2530	Portugal	122½-131
New Zealand Dlr.	2.2830-2.2860	1.2100-1.2110	Spain	182¾-192½
Saudi Arab. Riyal	6.4460-6.4580	3.4150-3.4220	Sweden	10.50-10.60
Singapore Dollar	3.8770-3.8870	2.0570-2.0600	Switzerland	3.42½-3.46½
Sth. African Rand	1.8265-1.8285	0.9680-0.9690	United States	1.88-1.90
U.A.E. Dirham	6.91-6.97	3.6715-3.6735	Yugoslavia	86-92

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 20,784-20,824 and for the dollar 11,000-11,050. *Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU December 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7572	41.1583	+0.98	+0.25	±1.5368
Danish Krone	7.91117	7.93683	+0.32	−0.41	±1.6412
German D-Mark	2.40989	2.44815	+1.59	+0.86	±1.1077
French Franc	6.17443	6.19854	+0.39	−0.34	±1.3733
Dutch Guilder	2.66382	2.67835	+0.56	−0.17	±1.5063
Irish Punt	0.684452	0.687067	+0.38	−0.35	±1.6688
Italian Lira	1300.67	1307.35	+0.51	+0.50	±4.1229

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for December 17 ... 0.569470

EXCHANGE CROSS RATES

Dec. 17	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.887	4.295	412.0	10.855	3.443	4.700	2289.	2.245	72.41
U.S. Dollar	0.530	1.	2.276	218.3	5.753	1.824	2.492	1213.	1.189	38.41
Deutschemark	0.233	0.439	1.	95.94	2.527	0.802	1.095	532.9	0.523	16.87
Japanese Yen 1,000	2.427	4.580	10.42	1000.	26.35	8.356	11.41	5556.	5.448	175.9
French Franc 10	0.921	1.738	3.957	379.5	10.	3.171	4.332	2108.	2.068	66.77
Swiss Franc	0.290	0.548	1.248	119.7	3.153	1.	1.366	664.9	0.652	21.05
Dutch Guilder	0.213	0.401	0.913	87.61	2.308	0.732	1.	486.8	0.477	15.41
Italian Lira 1,000	0.437	0.824	1.876	180.0	4.742	1.504	2.054	1000.	0.981	31.66
Canadian Dollar	0.446	0.841	1.914	183.6	4.836	1.534	2.095	1020.	1.	32.29
Belgian Franc 100	1.380	2.604	5.936	568.5	14.98	4.750	6.488	3158.	3.097	100.

FT LONDON INTERBANK FIXING (11.00 a.m. DECEMBER 17)

3 months U.S. dollars		6 months U.S. dollars	
bid 13 1/16	offer 13 3/16	bid 14 1/8	offer 14 1/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Dec. 17	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14½-15	12-12¼	13-14	10¼-10⅞	2¾-3¼	10⅛-10½	15-15½	18-21	21½-49½	6⅛-6⅜
7 days' notice	14⅞-15⅛	12¼-12½	13-14	10¾-10⅞	2½-3	10⅛-10⅜	15-15½	19½-22½	39-59¼	6⅜-6¾
Month	15¼-15⅜	12⅞-13⅛	15¾-16⅛	11-11⅛	9⅞-10	11⅛-11⅜	15⅝-16¼	21½-23½	37½-46¾	6⅞-7
Three months	15⅝-15⅞	13⅜-13⅝	16⅛-16½	11⅛-11⅜	9¼-9½	10⅜-10⅝	17-17½	22⅞-23⅞	24½-29¼	6¼-6⅝
Six months	15½-15⅝	14⅛-14⅜	16½-16⅞	11⅛-11⅜	9⅛-9⅜	10⅜-10⅝	18¼-18¾	23½-24½	23-26	7-7¼
One Year	15⅛-15¼	14⅛-14⅜	16½-16⅞	11⅛-11¼	8⅞-9	10¼-10½	18½-19	23½-24½	19¼-22¼	6¾-7¼

SDR linked deposits: one month 12 5/16-12 7/16 per cent; three months 12 7/16-12 13/16 per cent; six months 12 13/16-13 3/16 per cent; one year 12 13/16-13 3/16 per cent.

ECU linked deposits: one month 16 3/16-16 7/16 per cent; three months 15 7/16-15 13/16 per cent; six months 15 11/16-16 1/16 per cent; one year 15¾-16 per cent.

Asian $ (closing rates in Singapore): one month 12 11/16-12 13/16 per cent; three months 13¼-13⅜ per cent; six months 14⅛-14¼ per cent; one year 14 11/16-14⅛ per cent. Long-term Eurodollar two years 14⅞-15⅛ per cent; three years 15-15¼ per cent; four years 15⅛-15⅜ per cent; five years 15¼-15½ per cent nominal closing rates.

The following nominal rates were quoted for London dollar certificates of deposit: one month 12.70-12.80 per cent; three months 12.95-13.05 per cent; six months 13.60-13.70 per cent; one year 13.70-13.90 per cent.

MONEY MARKETS

Small assistance

London clearing bank base lending rates 14½ per cent (since December 4)

Yesterday promised to be flat in the London money market according to the Bank of England's early forecast. Factors against the market included bills maturing in official hands and a net take up of Treasury bills, totalling £95m and a rise in the note circulation of £50m. On the other hand Exchequer transactions were a plus factor of £80m while banks brought forward balances £90m above target. There was no intervention by the Bank of England during the morning but in the afternoon it bought £19m of eligible bank bills at 14⅞ per cent in band 2 (15-33 days).

The small amount of help given in the afternoon helped to maintain confidence in the money market that the authorities may be happy to see short term rate remain around current levels. One week money in the interbank market was quoted at 14⅞-15⅛ per cent hardly changed from Wednesday. Discount houses were paying up to 14¾ per cent for secured call loans at the start with later balances taken down to 13 per cent. In the interbank market overnight money opened at 14¾-15 per cent and eased to 14¼-14¾ per cent where most of the day's business was seen. Later balances were taken as low as 8-10 per cent.

In Frankfurt the Bundesbank left credit policies unchanged after yesterday's meeting of the central council. This was the last meeting this year and meant that the discount rate remained at 7½ per cent and the special Lombard rate at 11½ per cent, although this rate could be adjusted at any time without waiting for a fortnightly central council meeting. In the money market call money tended to ease, reflecting a good supply of credit. Call money was quoted at 10.50 per cent compared with 10.55 per cent on Wednesday, while longer-term rates were generally firmer.

In Paris call money was quoted at 15⅛ per cent compared with 15¼ per cent on Wednesday and down from 15⅜ per cent on Tuesday. This tended to reflect an improvement in the general liquidity situation in short-term funds. Longer-term rates also showed a weaker tendency, with one-month money at 15 5/16 per cent against 15⅜ per cent and three-month at 15 5/16 per cent compared with 15⅜ per cent.

GOLD

Steady trading

Gold closed unchanged at $416-417 in the London bullion market, the lowest level of the day. It opened at $418-419, and was fixed at $418.00 in the morning and $416.25 in the afternoon, touching a peak of $418½-419½. Trading was firm in New York after the London close with the metal rising quickly to $418-419.

In Paris the 12½ kilo gold bar was fixed at FFr 78,600 per kilo ($424.57 per ounce) in the afternoon, compared with FFr 78,600 ($424.61) in the morning, and FFr 78,500 ($424.18) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 30,705 per kilo ($419.99 per ounce), against DM 30,720 ($420.01), and finished at $416-417, compared with $416½-417½.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $418.50 per ounce, compared with $418.90.

In Zurich gold closed at $415-418, against $416-419.

	Dec. 17		Dec. 16	
Gold Bullion (fine ounce)				
Close	$416-417	(£220½-221)	$416-417	(£220-220½)
Opening	$418-419	(£221-221½)	$419½-420½	(£221¼-222¼)
Morning fixing	$418	(£220.464)	$418	(£221.106)
Afternoon fixing	$416.25	(£220.296)	$416.75	(£220.153)
Gold Coins				
Krugerrand	$429¼-430¼	(£227¾-228¼)	$429½-430½	(£227½-228)
1/2 Krugerrand	$221-222	(£117¼-117¾)	$221-222	(£117-117½)
1/4 Krugerrand	$112½-113½	(£59¾-60¼)	$112½-113½	(£59½-60)
1/10 Krugerrand	$46-47	(£24½-25)	$46-47	(£24¼-24¾)
Mapleleaf	$430-431	(£228-228¾)	$430½-431½	(£228-228½)
New Sovereigns	$102½-103½	(£54¼-54½)	$102-103½	(£54-54½)
King Sovereigns	$115-116	(£61-61½)	$116-117	(£61¼-61¾)
Victoria Sovs.	$115-116	(£61-61½)	$116-117	(£61¼-61¾)
French 20s	$101-111	(£53½-58¾)	$101-111	(£53½-58¾)
50 pesos Mexico	$515-518	(£273¼-274¾)	$515-518	(£272¾-274¼)
100 Cor. Austria	$404-408	(£214¼-216½)	$404-408	(£214-216)
$20 Eagles	$510-515	(£270½-273¼)	$510-515	(£270-272¾)

LONDON MONEY RATES

Dec. 17 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8-15	14¾-15¼	—	—	14½-15¼	13-14½	—	—	—
2 days notice	—	—	14⅞-15⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14⅞-15⅛	15½	—	—	15½-15¾	14¼-14½	—	—	—
One month	15 5/16-15 7/16	15 5/16-15⅝	15⅛	15⅞-15½	15⅝	15⅝	14⅜-14½	14 11/32-14⅝	14 11/32-14 9/32	15½
Two months	15⅜-15¼	15¼-15⅜	—	15⅞-15½	15⅝	15½	14½	14½-14⅝	14 9/32-14½	15⅝
Three months	15⅜-15¼	15⅛-15½	15⅜	15⅞-15⅝	15⅝	15½	14½	14½-14⅝	14 9/32-14 11/32	15¼
Six months	15⅜-15⅛	15 5/16-15 7/16	15⅜	15-14¾	15⅝		—	—	14¾	14½
Nine months	15¼-15⅛	15⅛-15⅜	—	15½-15¼	15⅝	—	—	—	—	—
One year	15⅛-15	15-15⅛	15⅛	15⅜-15	15⅝	—	—	—	—	—
Two years	—	—	15	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 15 per cent; four years 15 per cent; five years 15 per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14 9/16 per cent; four months trade bills 15⅛ per cent.

Approximate selling rate for one month Treasury bills 14 15/32-14½ per cent; two months 14 13/32-14½ per cent; three months 14⅜-14½ per cent. Approximate selling rate for one month bank bills 14 19/32 per cent; two months 14 19/32 per cent; and three months 14 19/32-14½ per cent; one month trade bills 15⅜ per cent; two months 15½ per cent; three months 15 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16 per cent from December 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 12½-12¾ per cent. Clearing Bank Rates for lending 14½ per cent. Treasury Bills: Average tender rates of discount 14.5801

MONEY RATES

NEW YORK

Prime rate	15½-15¾
Fed. funds	12½-12¾
Treasury bills (13-week)	10.94
Treasury bills (26-week)	10.58

GERMANY

Special Lombard	10.50
Overnight rate	10.50
One month	11.40
Three months	10.875
Six months	10.60

FRANCE

Intervention rate	15.125
Overnight rate	15.50
One month	15.3125
Three months	15.3125
Six months	15.3125

JAPAN

Discount rate	5.5
Call (unconditional)	6.375
Bill discount (three-month)	6.65625

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS FUNDS

Adig Investment

Albany Fund Management Limited

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Ltd.

B.I.A. Bond Investments AG

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Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

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Britannia Intl. Investment Mngmt. Ltd.

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The English Association

Eurobond Holdings N.V.

S.G. Europe Obligations S.A.

Eurotax Investments Ltd.

F & C Mgmt. Ltd. Inv. Advisers

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G. T. Management (U.K.) Ltd.

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Gartmore Fund Managers (IOM) (a)

Assicurazioni GENERALI S.p.A.

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Henderson Baring Group

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Leopold Joseph & Sons (Guernsey)

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The Korea Trust

Dawnay International Trust Co. Ltd.

Lazard Brothers & Co. (Jersey) Ltd.

Lloyds Bk. (C.I.) U/T Mgrs.

Lloyds Bank International, Geneva

Lloyds Bank International, Guernsey

M & G Group

Manufacturers Life Ins. Co. Ltd.

Midland Bank Tst. Corp. (Jersey) Ltd.

Samuel Montagu Ldn. Agents

Minerals, Oils Res. Shrs. Fd. Inc.

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Nat. Westminster Jersey Fd. Mgrs. Ltd.

N.E.L. International Ltd.

Pacific Basin Fund

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Reliance Managers Ltd.

Richmond Life Ass. Ltd.

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NOTES

A Special Thanks For Our Christmas Appeal

THE MULTIPLE SCLEROSIS SOCIETY

of Great Britain and Northern Ireland

The Multiple Sclerosis Society of Great Britain and Northern Ireland would like to thank all the donors who have made this Christmas appeal feature possible.

We appeal to the readers of The Financial Times to support us in our vital research and help relieve the distress of thousands of sufferers.

NATIONAL BUYERS GUIDE

The Multiple Sclerosis Society would like to thank the Directors of Hauni

for their most generous donation to mark their Silver Jubilee Year.

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We would like to apologise to all of the donors whose copy arrived to late for this edition of the Financial Times

We would like to thank all those generous donors who have supported this Appeal, but wish to remain anonymous.

What is Multiple (Disseminated) Sclerosis?

M.S. is short for Multiple Sclerosis (formerly known as Disseminated Sclerosis). It is a common organic disease of the central nervous system, the myelin sheaths of which are attacked by an unknown agent.

It often affects vision, sensation, the use of limbs, and muscular co-ordination in some cases drastically, often progressively.

M.S. claims one in every 1,200 of the adult population of Great Britain. More women than men are affected in the proportion of 3 to 2; the first symptoms usually appear in the age group 15-36.

In the United Kingdom there are some 50,000 people with M.S., the majority between the ages of 25 and 60.

M.S. creates a tragic waste of trained men and women, striking at young adults at the time of their greatest responsibility, causing grave social and domestic problems. M.S. patients form more than one-third of the difficult cases of the young chronic sick.

The Multiple Sclerosis Society encourages medical and scientific research into M.S. It finances research fellowships in universities and hospitals and helps M.S. people all over the United Kingdom, and research is now at a critical stage.

Please support the Society by a donation for this Christmas Appeal.

Thank You

Headquarters, The Multiple Sclerosis Society of Great Britain and Northern Ireland,
286 Munster Road, Fulham, London SW6 6AP
Tel: 01-381 4022/385 6146

Your help is desperately needed, please support us in our vital work.

To Multiple Sclerosis Christmas Appeal,
286 Munster Road, Fulham, London SW6 6AP

- ☐ I would like a receipt please.
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MULTIPLE SCLEROSIS
HELP TO UNLOCK THE MYSTERY OF
INCORPORATING CRACK

WORLD STOCK MARKETS

Mixed early Wall St showing

STOCKS ON Wall Street showed no decided trend at mid-session after a fairly active trade, but with the undertone still dampened by concern about the deteriorating U.S. economy and the Polish crisis.

The Dow Jones Industrial Average was down a marginal 0.19 at $868.53 at 1 pm, but the NYSE All Common Index edged up 13 cents to $71.19. Declines narrowly led advances, however, after volume of 32.77m shares, against Wednesday's 1 pm figure of 29.26m.

The market has been buffeted by poor economic indicators all week, and yesterday morning was no exception with the announcement that the factory utilisation rate dropped to 74.9 per cent in November, its lowest since July 1980.

Analysts said investors were also awaiting President Reagan's Press conference on Poland, scheduled for that afternoon.

Corning Glass featured weakly, dropping 4¾ to $50⅛. On Wednesday, the company said its fourth-quarter earnings will be down significantly from a year-ago.

Philip Morris fell 1⅜ to $47¼ in heavy trading. A spokesman said there were no corporate developments which could account for the activity.

Masonite lost $2 to $25⅛. The company plans to buy back 1,053,000 of its shares from First City Financial.

Sony rose $¼ to $17⅜ in active trading despite reporting lower earnings. Also on the actives list, IBM put on $⅜ to $55, Beneficial $¼ to $19⅜, Norton Simon $⅜ to $18¼ and Burlington Northern $¼ to $55.

THE AMERICAN SE Market Value Index hardened 0.24 to 318.21 at 1 pm. Volume 3.49m shares.

Canada

Share prices were mixed to firmer at mid-day after a fair turnover.

The Toronto Composite Index put on 4.4 to 1,938.5 on volume of 2.78m shares and Advances edged declines by 224 to 202 on the Exchange. Oil and Gas rose 11.2 to 3,697.8 and Golds 15.0 to 3,215.5.

Closing prices for North America were not available for this edition.

Tokyo

The market started on a generally easier note in line with the overnight Wall Street trend, but many export-orientated Blue Chips later moved ahead sharply on bargain hunting. However, Oils were heavily depressed by news of the failure of a joint Japan-South Korea oil search in the East China Sea to find commercial deposits, while Coals and Non-ferrous Metals declined in sympathy.

The Nikkei-Dow Jones Average managed to close 7.88 ahead at 7,682.53, while the Tokyo SE index gained 1.49 at 565.76. Trading was slow, however, restrained by uncertainty about Polish developments, with volume coming to 230m shares (300m).

Motors, Light Electricals, Precision Instruments, Communications, Drugs and Ceramic Product Developers strengthened.

Honda Motor climbed Y33 to Y808, Toyota Y30 to Y1,120 and Nissan Y15 to Y800. Victor Japan rose Y110 to Y2,700, TDK Electronic Y60 to Y3,400, Pioneer Electronic Y70 to Y1,870, Canon Y33 to Y960, Hitachi Y15 to Y664, Fuji Photo Y70 to Y1,280, Matsushita Electric Y40 to Y1,170, Fujitsu Y16 to Y706 and Kaken Chemical Y150 to Y1,750.

Sony put on Y30 to Y3,860. It announced a rise in parent company after-tax profits after the market closed.

Nippon Oil fell Y160 to Y1,040 as its subsidiary is engaged in the joint oil development, while Teikoku Oil lost Y22 to Y826.

Steels and Shipbuilders eased, with Kawasaki Steel down Y3 to Y171, Ishikawajima Harima Heavy Y4 to Y166 and Kobe Steel Y5 to Y185, followed by Constructions, Housings and Trading Houses.

Germany

Light selling, prompted by concern over Poland and Wednesday's Kiel Institute pessimistic report on West German prospects, caused a broad market retreat in the absence of buying interest. The Commerzbank index fell 9.4 to 678.2.

In low turnover, Daimler closed DM 6.20 down at DM 296.80. BMW fell DM 2.30 to DM 195.20 and Volkswagen, which reported lower vehicle production and sales in the first nine months, shed DM 3.50 to DM 129.

In Engineerings, MAN, which said the previous day that profits in the year to end-June 1982 will be tight, dipped DM 7 to DM 179. KHD lost DM 3.10 at DM 163.10.

Stores issue Karstadt, which announced that parent company net profit in 1981 will be significantly lower, declined DM 2 to DM 190.

Australia

Trading remained generally thin yesterday and stocks ended narrowly mixed with an easier bias again.

However, some leading Resources issues firmed, and the Australian All Ordinaries index picked up 2.3 to 596.3. The Metals and Minerals index hardened 3.1 to 435.9 and Oil and Gas 2.4 to 661.6.

A strong rumour emanating from London that Claremont Petroleum was a likely take-over target stirred up some action in the Cooper Basin Jackson No. 1 oil well stocks, although local dealers were of the opinion that there was no foundation for the bid talk. The Jackson pot was kept simmering by the hard news that the partners were not prepared to wait a couple of months before drilling a step-out well but had contracted for a rig to start early in January. In the meantime, an extensive seismic survey was being run over the area. Claremont added 3 cents at A$1.28 in an active business and Santos 6 cents at A$6.46, although Vamgas receded 30 cents to A$10.60.

Overall market leader BHP improved 10 cents to A$10.50 while among Minings Western Mining, on news that it was planning to open the Windarra nickel mine, gained 10 cents to A$4.25. North BH firmed 5 cents to A$2.70, while CRA, A$2.92, and MIM, A$3.30, put on 3 cents apiece.

Hong Kong

Shares opened easier in sympathy with the overnight Wall Street decline, with some short selling and other liquidations driving most prices lower.

Buying interest was generally lacking, and the Hang Seng index ended 33.17 down at 1,342.98.

Some traders attributed part of the weakness to book-squaring ahead of the approaching holidays, while others said the market was overshadowed by political events in Poland and the Middle East.

Trading volume remained light, totalling HK$24.16m, compared with the short Wednesday session amount of HK$119.91m.

Cheung Kong fell 50 cents to HK$20.80, Hutchison Whampoa 70 cents to HK$17, Jardine Matheson 60 cents to HK$18.20, Hongkong Land 25 cents to HK$9.20, Hongkong Telephone 40 cents to HK$24.20 and China Light 30 cents to HK$11.90.

Outside the leaders, Carrian Investment lost 20 cents to HK$5.40, Tai Cheung Properties 12.5 cents to HK$4.05 and Far East Consortium 15 cents to HK$2.375.

Johannesburg

Gold shares tended to improve in response to the higher international Bullion price. Among Heavyweights, East Rand Proprietary gained 125 cents to R15.60, Vaal Reefs 100 cents to R86 and Randfontein 50 cents to R78.

Indices

NEW YORK – DOW JONES

	Dec. 16	Dec. 15	Dec. 14	Dec. 11	Dec. 10	Dec. 9	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
●Industr'ls	868.72	875.95	871.48	888.51	892.03	878.22	1024.05 (27.4)	824.01 (25.9)	1051.70 (11.1.73)	41.22 (2.7.32)
H'me Bnds.	58.22	58.25	58.22	59.98	59.06	59.65	65.73 (15.1)	54.89 (7.10)		—
Transport.	384.64	384.22	388.74	391.11	393.24	394.00	447.38 (16.4)	335.48 (25.9)	447.38 (16.4.81)	12.23 (8.7.32)
Utilities	108.99	110.00	110.53	111.99	112.28	112.38	117.81 (5.1)	101.28 (23.9)	163.32 (20.4.69)	10.5 (28.4.42)
TradingVol 000†	42,370	44,150	44,740	45,850	47,020	44,810	—	—	—	—

●Day's high 878.42, low 865.11.

Ind. div. yield %	Dec. 11	Dec. 4	Nov. 27	Year ago (approx)
	6.26	6.21	6.25	5.95

STANDARD AND POORS

	Dec. 16	Dec. 15	Dec. 14	Dec. 11	Dec. 10	Dec. 9	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls.	136.86	137.45	137.16	133.61	140.51	140.20	157.02 (6.1)	128.49 (24.9)	160.35 (28.11.80)	3.52 (30.6.32)
Composite	122.42	122.99	122.78	124.93	125.71	125.49	138.12 (6.1)	115.01 (24.9)	140.52 (28.11.80)	4.40 (1.6.32)

	Dec. 9	Dec. 2	Nov. 25	Year ago (approx)
Ind. div. yield %	5.16	5.20	5.24	4.61
Ind. P/E Ratio	8.45	8.58	—	9.05
Long Gov. Bond yield	13.19	12.84	12.28	12.68

NY. S.E. ALL COMMON

Dec. 16	Dec. 15	Dec. 14	Dec. 11	1981 High	1981 Low
71.06	71.35	71.24	72.43	79.14 (6.1)	64.96 (26.9)

Rises and Falls

	Dec. 16	Dec. 15	Dec. 14
Issues Traded	1,926	1,960	1,957
Rises	584	779	235
Falls	882	750	1,380
Unchanged	460	431	342
New Highs	25	17	10
New Lows	29	37	37

MONTREAL

	Dec. 16	Dec. 15	Dec. 14	Dec. 11	1981 High	1981 Low
Industrials	332.65	332.51	332.45	338.35	403.55 (27.5)	310.21 (25.9)
Combined	316.12	316.35	315.64	318.48	375.28 (15.5)	293.97 (25.9)
TORONTO Composite	1934.1	1935.4	1,928.5	1,954.1	2576.8 (10.4)	1812.48 (25.9)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Trans World	924,400	14⅞	+ ⅛	Williams Cpn	525,000	27⅞	−2⅛
MGIC Inv.	666,400	48⅞	− ⅛	House Intl.	430,600	17⅞	+ ⅞
IBM	654,400	54⅞	+ ½	Avon Products	346,200	30⅛	− ⅛
Exxon	605,800	30⅞	—	Citicorp	328,600	25	− ⅛
Phillips Petrlm	566,000	40⅛	−1⅛	Mobil	312,900	25½	− ⅛

World indices

	Dec. 17	Dec. 16	Dec. 15	Dec. 14	1981 High	1981 Low
AUSTRALIA						
All Ord. (1.1.80)	596.3	594.0	594.4	592.6	737.5 (6.4)	545.8 (29.10)
Metal & Mins. (1.1.80)	435.9	432.8	432.4	441.5	736.2 (7.1)	404.5 (20.11)
AUSTRIA						
Credit Aktien (2.1.62)	55.99	55.77	55.57	55.58	66.45 (5.1)	53.64 (15.10)
BELGIUM						
Belgian SE (31.12.63)	84.59	83.50	80.16	77.95	96.15 (17.2)	69.53 (16.6)
DENMARK						
Copenhagen SE (1.1.73)	123.36	122.99	122.65	120.65	128.35 (17.12)	95.38 (2.1)
FRANCE						
CAG General (29.12.61)	91.1	91.4	90.3	90.9	112.5 (17.3)	77.3 (16.6)
Ind Tendance (31.12.80)	98.9	93.8	98.1	97.9	108.3 (10.9)	79.2 (12.6)
GERMANY						
FAZ-Aktien (31.12.58)	222.16	225.21	225.56	224.07	243.47 (3.7)	215.98 (9.2)
Commerzbank (Dec 1953)	678.2	687.6	688.1	686.1	749.0 (3.7)	666.4 (16.2)
HOLLAND						
ANP-CBS General (1970)	84.1	85.0	86.5	85.5	96.8 (20.8)	78.6 (28.9)
ANP-CBS Indust (1970)	61.7	62.1	62.2	62.4	46.4 (22.6)	61.5 (30.10)
HONG KONG						
Hang Seng Bank (31.7.64)	1342.98	1376.15	1381.19	1376.59	1810.20 (17.7)	1113.77 (5.10)
ITALY						
Banca Comm Ital (1972)	193.06	187.49	189.80	169.59	292.03 (5.6)	166.44 (24.7)
JAPAN**						
Dow Average (16.5.49)	7682.53	7674.65	7680.89	7654.17	8019.14 (17.8)	6956.62 (13.3)
Tokyo New SE (4.1.68)	565.76	564.27	565.93	563.08	603.92 (17.8)	495.79 (5.1)
NORWAY						
Oslo SE (1.1.72)	124.91	127.60	128.25	126.48	145.72 (9.8)	110.34 (3.6)
SINGAPORE						
Straits Times (1966)	752.08	755.96	757.61	755.57	973.26 (26.8)	815.29 (1.9)
SOUTH AFRICA						
Gold (1958)	(u)	(c)	(u)	618.2	797.6 (7.1)	473.6 (5.7)
Industrial (1958)	(u)	(c)	(u)	639.5	709.4 (21.10)	557.2 (3.2)
SPAIN						
Madrid SE (30.12.80)	121.82	122.05	123.04	(c)	148.16 (8.9)	100.46 (2.1)
SWEDEN						
Jacobson & P. (1.1.58)	611.13	605.61	614.19	621.85	660.51 (10.8)	404.17 (25.1)
Switzerland						
Swiss Bank Cpn. (31.12.58)	257.9	260.1	261.0	261.4	304.2 (2.4)	242.5 (17.11)
WORLD						
Capital Intl. (1.1.70)	—	145.8	145.2	145.2	162.8 (8.1)	133.8 (28.9)

(**) Sat Dec 12: Japan Dow 7,691.40. TSE 584.99.

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

COMMODITIES AND AGRICULTURE

Cocoa sale planned to lift market

ACCRA—The Cocoa Producers' Alliance said in a communique yesterday that it had decided on an immediate sale of 35,000 tonnes of current crop cocoa to the buffer stock in an attempt to improve price levels on the world market.

The communique was issued at the end of a two-day extraordinary meeting here of the alliance's sales executive committee.

It said the meeting had reviewed the world cocoa supply and demand situation. It had "carefully analysed the factors which influence world cocoa prices," and in this connection adopted "appropriate measures" including the sale.

General Ayo Oshinibi, the alliance secretary, said after the meeting he had no comment. The meeting was attended by representatives of Brazil, Cameroon, Ecuador, Gabon, Ghana, Ivory Coast, Nigeria, Togo and Trinidad and Tobago. Reuter

Rise forecast in European sugar output

By Our Commodities Staff

F. O. LICHT, the German sugar statistician, raised his estimate of European sugar production for 1981-82 to 32.7m tonnes raw value from the 32.4m previously forecast. This compares with a revised 27.69m tonnes figure for 1980-81.

In its third estimate of European sugar production, Licht puts EEC output at 15.68m tonnes against 15.29m tonnes forecast in the second estimate published last month and 13m tonnes in 1980-81.

Licht puts West European production at 20m tonnes against its prevous forecast of 19.7m and the 16.64m tonnes for 1980-81. East European output is put at 12.68m tonnes against a 12.69m tonne previous estimate and 11m tonnes in 1980-81.

London dealers said Licht's estimates were mildly bearish for the market, with most West European estimates ahead of earlier predictions.

Licht's estimate for the Soviet Union was unchanged from the previous foercast at 7.8m tonnes, but the forecast for France was slightly up at 5.5m tonnes against 5.4m tonnes previously forecast.

Metals boosted by Polish crisis

BY ROY HODSON

ALL BASE METAL prices except tin rose on the London Metal Exchange yesterday. Markets were continuing to react to the Polish crisis and in the case of both lead and zinc—to continuing uncertainty over eventual resumption of production at the strike-bound Navan mine in the Irish Republic.

Copper put on £8 to close at £870.50 for cash wirebars following a rise of £5 the previous day. A series of reports by traders and specialists recently have drawn attention to the fact that copper prices are now at the lowest level for many years—the lowest for 30 years in dollar terms—and that price rises can be expected. Copper future rose several pounds in after-hours kerb trading.

Although the aluminium industry is carrying stocks of nearly 3m tonnes of ingot metal at western world smelters compared with less than half that quantity a year ago, the market has begun to react nervously to possible supply disruptions if the Polish crisis develops. Cash aluminium advanced £4 in LME dealings yesterday following a rise of £8 the previous day. So far this week, aluminium prices have put on £26.50 in London. The LME closed at £617.50 a tonne for cash aluminium.

The five-month-old strike at the Tara company's Navan mine in the Irish Republic could be ended by a secret ballot on new company proposals early in January. Earlier, the owners had threatened to put the mine into indefinite care and maintenance. The new company proposals are believed to be a modified form of the previous offer. Tara is an important supplier of lead and zinc to European smelters.

Zinc made modest progress finishing the day in London £2.75 up at £453.75 a tonne for cash. Lead performed similarly finishing at £372.50, also a gain of £2.75 on the day.

When tin producers and consumers meet next in London on January 19 at the International Tin Council economic and price review panel, it is expected that producers will seek a 15 per cent price range increase. However, the tin market, which has been behaving in a highly artificial way in recent weeks because of heavy buying by an unidentified group or groups, is refusing to be drawn. Cash tin fell slightly yesterday to £8,350.50, a loss of £4.50 on the day.

Tin consumers are expected to oppose any price range increase vigorously

Peak output of coffee predicted

WASHINGTON — World coffee production in 1981-82 is estimated at a record 96.9m bags (of 60 kilos) up 15 per cent from last season, the U.S. Agriculture Department said yesterday. The department's Foreign Agricultural Service said the latest forecast is up 12.6m bags from a revised estimate of 84.3m bags harvested in the 1980-81 season.

There were no figures to indicate total exportable supplies of coffee, after producers had met their own domestic needs.

Officials noted that the latest estimate was up slightly from the 95.3m bags indicated for 1981-82 in a similar report in September.

"The improved outlook in major African coffee producing countries is largely responsible for the upward revision", the report said.

AP-DJ

Ministry gives animal welfare lobby a pledge

By Our Commodities Staff

THE GOVERNMENT yesterday pledged to continue to champion farm animal welfare but warned that changes in production methods which raised costs might not always be acceptable to consumers.

In its reply to the Commons agricultural committee report on animal welfare, the Ministry of Agriculture said: "The Government agree that developments in knowledge and understanding of animal welfare need to be reviewed from time to time and they remain anxious to increase their impact on matters concerning the welfare of animals."

Ministers would continue to look to the Farm Animal Welfare Council for advice on the nature of animal suffering.

The Ministry endorsed the committee's findings that judgments about animal welfare should be based on as much scientific knowledge as possible.

"There is no justification for any farming practice which gives rise to unnecessary pain or unnecessary distress."

Yet the likely effects on prices to the consumer had to be taken into account both in setting welfare standards and in timing

The Ministry rejected the committee's recommendations over battery cage egg production and its call for changes to alternate systems.

U.S. futures trading curbs proposed

BY NANCY DUNNE IN WASHINGTON

A LIMIT on the number of futures contracts which can be held by individual speculators is recommended in a report approved by the U.S. House of Representative's Government operations committee.

The report, which examines events surrounding the collapse of the silver markets in March 1980, also recommends:

● Establishment of minimum margins for futures trading.

● Enactment of new legislation to prevent market manipulation.

● A re-examination of the present self-regulatory structure of the futures markets which "allows financially interested exchange members to regulate non-members."

The report follows a year-long investigation by the commerce, consumer and monetary affairs sub-committee headed by congressman Benjamin S. Rosenthal, a New York

"Unless reforms like the ones recommended in this report are undertaken, the silver debacle or something very much like it could happen again," Mr Rosenthal warned.

According to the report, the failure of Federal regulators to share information or react quickly enough permitted speculators in silver to build up large holdings and drive up silver prices in 1979 and 1980.

The report blames the increase in silver prices on actions taken by billionaires W. Herbert Hunt and Nelson Bunker Hunt.

Following the report, W. Herbert Hunt said the comment had it "about half right."

FARMER'S VIEWPOINT

Prosperity thanks to Brussels

BY COMPARISON with the reported condition of much of British industry, farming is in a state of relative prosperity. Bankruptcies among farmers are negligible. There is no unemployment among farm workers and demand for land, both to buy or rent, is so strong that inflation must have been discounted until the 21st century at least.

It's true, as the National Farmers' Union never ceases to claim, that farmers' incomes in real terms have fallen. But so have many other peoples. Except, of course, civil servants' pensions. Even so, most farmers seem to have finished this year in reasonable form, but without the excess spending power which characterised the first years of EEC membership.

Nowhere is farmers' caution more evident than in machinery purchases. Sales of tractors this year are marginally over a depressed target, but they represent what would be a prudent replacement policy. It is one which manufacturers would have been wise to take account of during the boom days of the mid-1970s when the mirage of tax saving probably sold more machinery than any other factor.

The NFU often cites the rise in bank borrowings as indication of pressure. But at £3.68bn it is negligible, representing no more than £200 per acre of total bare arable land. To say nothing of stock equipment, buildings, etc. Farming must be the most under-geared of British industries. This is a matter of concern to the bankers who devote enormous energy trying to persuade farmers to borrow more. That is understandable. Where else could they find such security with even poor arable land being worth well over £1,000 an acre.

The high price of farm land is a never-ceasing wonder to the established farmer who remembers the time 20 years ago when it was possible to buy land and farm it at a profit.

The present price of land has little to do with farming prosperity. Instead it has everything to do with the belief that land alone is a safe investment in the confusion of economic policies with which we are being inflicted. Some investors are trying to increase the returns on land that they let to farmers. Farm rents are being squeezed upwards to the extent that a Tenant Farmers' Association has been formed to try and defend its members against too harsh an exploitation. Their problems are partly self-inflicted; for various reasons some sold their farms for lease-back without paying sufficient attention to the future level of rents.

Other than with rents and bank interest farmers are in reasonable control of their commercial costs. They keep their suppliers fighting for their business, helped by competitive quotes from across the Channel.

Farmers' returns have at the moment overriding support from the Common Agricultural Policy, which effectively keeps out imports from the outside world by means of levies and outright prohibitions. The CAP also supplies a basket of support with intervention buying as a last resort. In addition, there are some products which do not have full EEC support where farmers have found themselves benefiting from shortage.

Beef and pigmeat are in short supply and prices are the best ever. Potatoes are selling at double last year's prices, so sweetening the labours of arable farmers. Poultry meat and eggs, which might have felt a chill draught, have been saved by a disease restriction against imports. This curb, brought in by Mr Peter Walker, was almost Gallic in its ingenuity, and—according to the French—in the best of Britain's perfidious tradition.

Dairy produce, cereals and sugar are all protected by an intervention and support system which really does put a secure "floor" in the market. It also makes certain that farmers here receive prices which are comparable with the best in Europe. In part too farmers benefit from the complete devaluation of the Green Pound, which for so long kept British farmers' returns below those of their neighbours over the water. The fact that money for this support reduces Britain's net contribution to the Community conceals the fact that much of it was paid over from here in the first place. Most farmers think it is far better to have the money in this way, than be directly dependent on a British Government.

There is a cloud on the horizon. EEC circles have talked about making farmers themselves responsible for paying for some of their own excess production. This is happening in dairy products for the moment. Even worse, there is talk of maintaining support for the smallest farmers while leaving the larger farmers, mainly concentrated in Britain, to suffer the costs of over-production. This is unfair they say. Everyone knows that size and efficiency are synonymous terms.

Cereal farmers are faced with an even worse threat. There is talk of aligning the EEC guarantees with world prices. If implemented, this could mean a price reduction of 30-40 per cent. Even bankers would not be so happy lending then. So with a few exceptions farmers will enjoy Christmas with a sense of quiet satisfaction that they are supported by the Common Agricultural Policy and not like the rest of industry by the theories of Sir Geoffrey Howe and Mrs Thatcher.

John Cherrington

U.S. adopts compromise $11bn Farm Bill

BY NANCY DUNNE IN WASHINGTON

A COMPROMISE $11bn Farm Bill, containing a provision which would make a selective embargo on U.S. agricultural products almost too costly to levy, passed the House of Representatives this week by a narrow 205-203 vote. It is expected to be signed soon by President Reagan.

The embargo protection clause provides for payments to U.S. farmers, which would cost an estimated $10bn-$30bn, if the President imposes an embargo on agricultural products. However, it would not apply in case of a general embargo on all U.S. trade.

Mr John Block, U.S. Secretary of Agriculture, has hinted that an embargo of U.S. goods to Eastern Europe could result from a Soviet invasion of Poland. Fears of an embargo have sent agricultural futures tumbling here in the past week.

Passage of the Farm Bill, opposed in the House by a coalition of dairy State congressmen and consumer interests, is seen as a victory for the Administration, seeking to limit the spiraling cost of dairy and grain price supports. Both will rise, but not as much as farm State legislators would have liked.

The Bill creates a low-interest U.S. Government loan programme for sugar producers, which will support domestic raw sugar prices at 17 cents a pound. Price levels will be upheld by an increase in sugar import fees, which now support sugar prices at 15 cents a pound.

Wheat supports will rise next season from $3.20 a bushel to $3.55 and corn (maize) supports will increase from $2.40 to $2.55.

Dairy price supports will remain at the current $13.10 a cwt through this fiscal year, then rising annually to at least $14.60 in 1985.

The President had wanted a Bill costing no more than $10.6bn but will settle for $11bn. Although farm interests wanted higher supports, they ultimately went along with the Administration when faced with the prospect of having no legislation to carry home to constituents for Christmas.

Fish disease hits Hampshire

A BAN on the movement of all fish and roe from a fish farm near Winchester has been ordered by the Ministry of Agriculture after an outbreak of whirling disease—the seventh so far reported.

Poultry import ban to remain

THE BAN on poultry imports, introduced in September to prevent foul pest spreading to Britain, is likely to remain in force for several months, Mr Peter Walker the Minister of Agriculture said yesterday.

Mr Walker made it clear during a visit to London's Smithfield meat market that the ban would not be lifted until the French had eradicated all the considerable disease affecting their poultry. He said he expected the European Court to find that Britain was right to implement the ban.

At the time the ban was imposed, the Minister of Agriculture had been under considerable pressure from poultry producers to take action

He said he was impressed by the state of the market. Frozen turkeys are selling for 1979 prices and fresh birds at 1980 prices.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES moved sharply higher on the London Metal Exchange, with the exception of Tin. Copper, firm throughout the day, jumped from £906 on the late kerb to touch £911 in late inter-office trading following heavy buying interest in London and New York which triggered large-scale short covering. Lead was finally £387, after extremes of £396 and £382 as heavy U.S. physical selling was met by fresh buying interest. Zinc touched £472 on fears of an indefinite shutdown of Ireland's Tara mine but fell back to £469 on news that a secret ballot will be held on January 4. Aluminium closed at £641.5 and Nickel at £2,970.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £875.00, three months £904.00, 04.50, 04.00, 03.00, 03.50, 02.00, 01.50, 01. Cathodes, cash £871.00, 71.50, three months £889.00. Kerb: Higher Grade, three months £900.50, 900.00, 899.00, 98.00, 99.00, 98.50. Afternoon: Higher Grade, three months £895.00, 94.00, 95.00, 94.50, 94.00, 94.50, 95.00, 96.00, 95.00, 95.50, 96.00. Kerb: Higher Grade, three months £897.00, 98.00, 99.00, 900.00, 01.00, 02.00, 03.00, 05.00, 06.00, 04.00, 05.00, 06.00. Turnover: 29,750.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
HighGrade				
Cash	875-6	+5.5	870-1	+8
3 mths	901-.5	+8.5	895.5-6	+8.5
Settlem't	876	+5.5	—	......
Cathodes				
Cash	871.5-2	+6.25	866-8	+8
3 months	895-7	+8	890-2	+8
Settlem't	872	+6	—	......
U.S. Prod	—	......	*77-82	......

Tin—Morning: Standard, £8,340, 50, 55, 50, late Feb £8410, 8400; three months £8150, 25, 20, 25. Kerb: Standard, late Feb £8400. Afternoon: Standard, cash £8350; three months £8130. Kerb: Standard, three months £8130. Turnover: 2,410 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	8350-5	—	8350-1	-4.5
3 months	8125-30	+12.5	8125-35	-18
Settlem't	8355	—	—	......
Standard				
Cash	8350-5	—	8350-1	-4.5
3 months	8125-30	+12.5	8125-35	-18
Settlem't	8355	—	—	......
Straits E.	‡5	—	—	......
New York	—	......		

Lead—Morning: Cash £367.00, 68.00, three months £389.00, 88.00, 87.00, 86.00, 85.00, 84.00, 83.00, 82.00, 83.00, 82.50, 83.00. Afternoon: Three months £382.00, 83.00, 85.00, 84.00, 83.50, 84.00, 85.00, 85.50, 86.00. Kerb: Three months £385.00, 86.00, 87.00, 88.00, 87.00, 86.00. Turnover: 28,150 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	368-.5	-7.25	372-3	+2.75
3 months	382.5-3	-4.75	386-7	+3.25
Settlem't	378.5	-7.5	—	......
U.S. Spot	—	......	*32-6	......

Zinc—Morning: Three months £458.00, 59.00, 60.00, 61.00, 60.00. Kerb: Three months £458.00, 59.00, 58.00. Afternoon: Three months £457.00, 58.00, 59.00, 60.00, 61.00, 60.50, 60.75, 60.50. Kerb: Three months £460.00, 59.00, 58.00, 59.00, 59.50, 59.00, 58.00, 59.00. Turnover: 14,750 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	453-.5	+1.5	453.5-4	+2.75
3 months	459.5-60	+1	450.5-.75	+2.62
S'ment	453.5	+1.5	—	......
Primw'ts	—	—	*44-50	......

Aluminium—Morning: Cash £615.50, three months £643.00, 42.00, 39.00. Kerb: Three months £640.00, 39.00. Afternoon: Three months £638.00, 39.00, 40.00, 40.50. Kerb: Three months £641.00, 42.00. Turnover: 23,300 tonnes.

Aluminm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	615.5-6	+2	617-8	+4
3 months	638.5-8.5	+1.25	640-1	+3.25

Nickel—Morning: Three months £2930, 40. Kerb: Three months £2940. Afternoon: Mid-Jan £2920, three months £2945, 50, 55, 70, 60. Kerb: Three months £2965. Turnover: 1,080 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	2895-90	+32.5	2915-25	+35
3 months	2935-40	+27.5	2960-5	+40

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 7.8p an ounce higher for spot delivery in the London bullion market yesterday at 465.95p. U.S. cent equivalents of the fixing levels were: spot 882.5c, up 12.75c; three-month 910.0c, up 12.9c; six-month 944.5c, up 14.7c; 12-month 1006.5c, up 12.5c. The metal opened at 462-466p (875-880c) and closed at 463-467p (875-880c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	465.95p	+7.80	464.0p	+7.00
3 months	482.70p	+7.70	480.5p	+8.75
6 months	501.75p	+8.75	—	......
12months	534.95p	+8.95	—	......

LME—Turnover 145 (191) lots of 10,000 ounces. Morning: Three months 483.0, 82.5, 82.0, 84.0, 83.0, 83.5, 84.0, 83.0. Kerb: Three months 482.5. Afternoon: Three months 479.0, 80.0, 80.5. Kerb: Three months 481.0.

COCOA

Although a little steadier following producers alliance announcements of sales to the ICO buffer stock of 35,000 tonnes of beans futures lapsed quickly into the recent catatonic state, reported Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
Dec	1157-58	-4.5	1167-58
March	1155-56	-1.0	1163-51
May	1159-60	+2.0	1165-54
July	1168-69	+3.0	1172-63
Sept	1173-78	+2.0	1177-72
Dec	1190-97	+1.0	1195-90
March	1200-07	+13.5	—

Sales: 1,582 (1,476) lots of 10 tonnes.

ICCO—Daily price fob Dec 17: 95.64 (95.58); Indicator for Dec 18: 96.06 (96.01). U.S. cents per pound.

COFFEE

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Jan	1128-29	+6.5	1132-25
March	1116-17	+10.0	1119-08
May	1097-99	+9.0	1100-87
July	1096-97	+12.0	1097-86
Sept	1095-98	+11.0	1096-89
Nov	1095-00	+11.0	—
January	1095-00	+10.0	—

Sales: 1,383 (1,393) lots of 5 tonnes.

ICO—1979 Indicator prices for Dec 16: (U.S. cents per pound): Comp daily ICA 123.09 (123.80); 15-day average 122.13 (122.14).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Dec 357 seller, nil; Jan 360, 365, 363-362; March 373, 378, 373; May 380, 381, 380-378; Aug 393, 394, 395-394; Oct 397, 399, 399-397; Dec 403, 405, 405-404; Jan 405, 408, 406-405; March 413, 417, [illegible].

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Dec 491.0, 492.0, 492.2-490.5; Mar 494.0, 498.0, untraded; May 505.5, 506.4, 507.0-505.0; July 513.0, 514.0, 515.0-513.0; Oct 510.2, 511.0, 510.5; Dec 517.0, 518.0, 517.5-517.0; Mar 522.5, 525.5, untraded; May 527.5, 530.0, 530.0. Sales: 92.

GAS OIL FUTURES

The market opened on the lows and rallied steadily on a firmer physical price and political factors and remained strong through the close, reports Premier Man.

Month	Yesterdays close	+ or —	Business Done
	$ U.S. per tonne		
December	326.00	+3.50	326.00-25.00
January	326.75	+3.00	327.00-24.00
February	325.50	+3.00	327.00-24.50
March	323.00	+2.25	325.50-21.50
April	318.50	+2.00	319.25-18.50
May	314.00	-1.00	314.00-14.00
June	312.75	-0.25	—
July	314.00	+0.50	—
August	314.50	—	—

Turnover: 1,742 (893) lots of 100 tonnes.

GRAINS

The market opened mostly unchanged. Pre-holiday shortcovering began to firm and was followed by continued merchant buying in small parcels ahead of the restitution grant, Acli reports.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterday close	+ or —
Jan	108.50	+0.35	104.25	+0.55
Mar	112.20	+0.55	107.45	+0.55
May	115.45	+0.55	110.40	+0.55
July	118.15	+0.25	—	—
Sep	106.10	-0.10	100.95	-0.10
Nov	109.60	—	104.85	-0.05

Business done—Wheat: Jan 108.50-108.15, Mar 112.25-112.00, May 115.20-110.40, July 118.10-118.00, Sept 106.10-195.95, Nov 109.60 only. Sales 218 lots of 100 tonnes. Barley: Jan 104.25-103.95, Mar 107.45-107.20, May 110.15 only, Sept 101.00-100.85, Nov untraded. Sales: 269 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 2 14 per cent Jan 115, Feb 116.50, Mar 117.75 transhipment East Coast seller. English Feed fob Jan/Mar 114 East Coast, 114.50 South Coast sellers. Maize: S. African White/Yellow Dec 83.00 seller. Barley: English Feed fob Jan/Mar 111 East Coast seller, Feb 109.75 paid East Coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Other milling wheat: W Mids 108.00. Feed barley: S. East 101.60, S West 103.00, W Mids 102.40, N West 102.70. The UK Monetary Coefficient for the week beginning Monday December 21 is expected to remain unchanged.

RUBBER

The London physical market opened slightly steadier, attracted little interest throughout the day and closed quiet. Lewis and Peat reported a December fob price for No 1 RSS in Kuala Lumpur of 199.0 (198.0) cents a kg and SMR 20 177.5 (175.0).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
Jan	51.00-51.20	51.30-52.00	51.40-51.10
Feb	51.20-51.50	51.50-51.70	—
Jan-Mar	51.20-51.30	51.20-51.50	51.50-51.20
Apl-Jne	54.40-54.50	54.50-54.60	54.50-54.50
Jly-Sept	57.50-57.70	57.70-57.80	56.60-57.70
Oct-Dec	60.70-60.80	60.60-61.00	—
Jan-Mar	63.90-64.00	64.10-64.20	64.10
Apl-Jne	66.80-67.10	67.20-67.50	67.20
Jly-Sept	69.80-70.00	70.20-70.50	—

Sales: 98 (284) lots of 15 tonnes, 14 (9) lots of 5 tonnes.

Physical closing prices (buyers) were Spot 50.50 (50.75p); Jan 52.75p (51.75p), Feb 52.75p (52.00p).

POTATOES

LONDON POTATO FUTURES—The market was considerably firmer on continued bad weather, with little change forecast. The firmness was helped by short covering, reports Coley and Harper. Closing prices Feb 97.00, +2.80 (high 97.00, low 95.00); April 118.00, +6.10 (high 118.00, low 114.00); Nov 67.00, unchanged (67.00 only). Turnover: 759 (507) lots of 40 tonnes.

SOYABEAN MEAL

The market opened £1.50 higher on fresh trade buying, reports T. G. Roddick, and remained steady in thin conditions.

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
December	128.30-31.5	+1.35	—
February	128.30-28.5	+2.10	128.80-27.30
April	131.50-31.8	+2.10	131.50-29.20
June	131.00-31.2	+1.45	131.10-30.50
August	131.50-33.5	+1.00	—
October	131.90-35.5	+0.75	—
Dec	132.00-37.8	+1.25	—

Sales: 96 (150) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £172.00 (£168.00) a tonne cif Dec-Jan-Feb Shipment. White sugar daily price £175.00 (£171.00).

The market opened slightly below kerb levels but soon recovered. Higher New York quotations produced further gains but these were not held, reports C. Czarnikow.

No. 4 Contract	Yest'rdy's close	Previous close	Business done
	£ per tonne		
Jan	174.00-78.00	188.00-78.00	179.00-72.50
March	179.75-79.80	174.75-74.90	181.60-74.50
May	181.50-81.60	177.25-77.50	183.00-77.00
Aug	184.15-84.25	180.55-80.80	185.00-85.00
Oct	188.75-88.90	185.00-85.70	190.00-88.00
Jan	188.50-91.00	186.00-87.25	—
March	194.00-95.00	191.00-91.50	195.00

Sales: 7,223 (3,073) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £376.00 (same) a tonne fob for home trade and £282.50 (£276.00) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for December 16: Daily price 13.08 (12.86); 15-day average 12.73 (12.67).

COTTON

LIVERPOOL—No spot or shipment sales were recorded. Partly due to the problems relating to the weather, but also as a result of the confused political climate, the offtake was negligible. Scattered interest was shown in some specialist grades, mostly in Middle Eastern varieties.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 84.0 to 88.0; Ulster hindquarters 97.5 to 101.5, forequarters 61.0 to 63.5. Veal: Dutch hinds and ends 131.0 to 134.0. Lamb: English small 80.0 to 86.0, medium 78.0 to 84.0, heavy 72.0 to 82.0. Scotch heavy 72.0 to 82.0. Pork: English, under 100 lb 48.0 to 56.0, 100-120 lb 48.0 to 55.0, 120-160 lb 44.0 to 53.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 104.61p per kg lw (+2.59). UK—Sheep 196.71p per kg est dcw (+11.95). GB—Pigs 86.24p per kg lw (+2.36).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: [illegible] Navels 48/113 5.00-5.20; Spania: Navels/Navelinas 42/130 5.00-5.50; Jaffa: Navels 88/144 4.85-5.35. Clementines—Spania: 3.40-4.20; Moroccan: 1/6 3.50-4.50. Satsumas—Spania: 3.40-4.00. Lemons—Cypriot: 3.30-4.50; Jaffa: 125/150 5.00-5.25; Italian: 80/150 3.50; Spania: 40/50 2.40-2.60; U.S.: 115 5.00. Grapefruit—U.S.: Pink 32/48 6.20-7.50; Cypriot: Large cartons 3.80-4.50, small cartons 2.80-3.40; Jaffa: 36/88 3.80-4.56. Apples—French: New crop, Golden Delicious 20 lb 3.30-3.80; 40 lb 6.50-7.50; Starkcrimson 40 lb 7.00-8.00, 20 lb 3.40-4.00, Granny Smith 8.50-9.00; Canadian: Red Delicious 9.00-11.00; U.S. Red Delicious 8.00-13.00; Hungarian: Starking 6.60-7.00. Pears—Dutch: Comice 14 lb 3.60-3.90, Conference, per lb 0.14-0.20. Peaches—Zimbabwean: 4.50-5.00; S. African: 4.50-5.00. Apricots—Australina: Per lb 1.00. Plums—U.S.: Per lb 0.40. Grapes—Spanish: Almeria 11 lb 2.60-3.20, Negra 3.50-4.00; U.S.: Almeria, per lb 0.50, Red Emperor 0.70. Cherries—Brazilian: 1 lb 1.40. Strawberries—Kenyan: 8 oz 0.60-0.80; New Zealand: 8 oz 1.20; Israeli: 8 oz 1.10. Litchees—Mauritius: Per lb 1.00; S. African: 0.90. Melons—Spanish: 10 kg 4.50-6.00, 15 kg A1 10.50-11.00. Pineapples—Ivory Coast: East 0.40-1.10. Bananas—Colombian: Per lb 0.16-0.19. Avocados—U.S.: Large box 5.50-6.00, small box 2.50; Israeli: 3.60-4.20; Canary: Large box 5.00, small box 4.00. Mangoes—Kenyan: 8/16 5.00; Brazilian: 7.50-8.00. Pomegranates—Israeli: 3.30-3.60. Dates—Tunisian: 30s 0.50-0.60; U.S.: 0.44-0.45. Figs—Turkish: 48 x 8 oz 0.19-0.20. Tomatoes—Spanish: 2.00-3.00; Canary: 2.40-3.60; Moroccan: 2.00. Onions—Spanish: Grano 3/5 4.80-5.00. Capsicums—Dutch: 5 kilos, red 5.70; Canary: Green 3.50-4.20, red 5.00; Italian: Green 3.50. Cabbages—Dutch: White 2.80, red 3.00. Cauliflowers—Jersey: 24s 11.00-12.00. Celery—Israeli: 4.20-4.80; Spanish: 3.30-4.00. Carrots—Dutch: 20 lb 2.10, pre-pack 3.00-3.20. Lettuce—Dutch: 24s 3.50-4.00. Cos Lettuce—Cypriot: 5.50; Italian: 4.00. Cucumbers—Canary: 2.80-3.20. Chicory—Belgian: 3 kilos 2.20-2.50. Endive—French: 4.60-5.00. Fennel—French: 9 lb 3.50-4.00; Italian: 4.00. New Potatoes—Canary: 28 lb ware 5.00, mids 5.60; Italian: 0.15; Cypriot: 5.00-5.20. Artichokes—Spanish: 5.00-6.00; Cypriot: 10.00. Aubergines—Canary: 5.50; Italian: 5.00; U.S.: Box 12.00; Israeli: 6.50. Chestnuts—Italian: 5 kg 5.00. Walnuts—Chinese: Per lb 0.44-0.45; U.S. 0.60. Brazils—Per lb 0.40-0.42. Filberts—Per lb 0.38-0.40. Almonds—Per lb 0.46-0.50. Pecan—Per lb 0.95. Muscatels/Almonds—Spanish; 8 oz 0.45.

English Produce: Potatoes—Per 55 lb, White 2.30-2.80, red 2.50-3.00, King Edward's 2.80-3.50. Mushrooms—Per lb, open 0.40-0.60, closed 0.60-0.70. Apples—Per lb, Bramley 0.18-0.26, Cox's 0.20-0.30, Russets 0.18-0.30, Laxton's 0.14-0.16, Spartan's 0.20-0.25. Pears—Per lb Conference 0.14-0.20, Comice 0.18-0.24. Cabbages—Per 30-lb bag, Celtic/Jan King 2.00-2.40. Lettuce—Per 12, round 1.00-1.80. Onions—Per 55 lb 40/80mm 2.00-2.80. Carrots—Per 26/28 lb 2.60-2.80. Beetroots—Per 28 lb, round 1.20-1.80, long 1.80. Parsnips—Per 28 lb 2.80-3.30. Swedes—Per net 1.20-1.40. Sprouts—Per 20 lb 2.80-4.00. Brussels Tops—Per 25 lb 2.50. Spring Greens—Per 25 lb 2.20-2.60, Cornish 40 lb 4.00-4.50. Savoys Per 25 lb 1.80-2.00. Rhubarb—Per 14 lb 3.60-4.20. Turnips—Per 28 lb 3.00.

*

HIDES—Manchester: The market was unchanged to slightly stronger. Second Class—Ox: 31-35.5 kg, 63.0p a kg withdrawn (63.5p a kg withdrawn); 26-30.5 kg, 68.9p a kg (68.0p a kg); 22-25.5 kg, 76.0p a kg (74.8p a kg withdrawn). Light cows: 25.5 kg, 74.7p a kg (73.5p a kg).

GRIMSBY FISH—Supply poor, demand good. Prices at ship's side (unprocessed) per stone: Shell cod £5.30-£6.40, codlings £3.40-£3.70. Medium haddock £3.30-£4.00, small £2.80-£3.00. Medium plaice £4.50, best small £3.80-£4.60. Lemon soles (large) £15.00, (medium) £13.00.

PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 16 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1145/1175	+10	$1035/1065
Copper			
Cash h grade	£870.5	+8	£840.25
3 mths	£895.75	+6.5	£866.75
Cash Cathode	£867	+9	£839.5
3 mths	£891	+8	£862.25
Gold troy oz	$416.5	......	$398.5
Lead Cash	£372.5	+2.75	£334.5
3 mths	£386.5	+3.25	£347.75
Nickel	£3678.69	......	£4187.2
Free mkt	245/285c	......	325/75c
Platin'mt'y oz	£260	......	£260
Freemkt	£215.75	+10.35	‡
Quicksilver†	$418/425	......	$420/430
Silver troy oz	465.95p	+7.80	425.50p
3 mths	482.70p	+7.70	440.80p
Tin Cash	£8,350.5	-4.5	£8348.5
3 mths	£8,150	-18	£8650.5
Tungsten22.0lb	$154.48	-2.84	$138.06
Wolfrm 22.04lbs	$121/127	......	$130/135
Zinc Cash	£455.75	+2.75	£440
3 mths	£450.625	+2.625	£452.5
Producers	$920/50	......	$1000
Oils			
Coconut (Phil)	$555y	......	$577.5
Groundnut	$715y	+5	‡
Linseed Crude	‡	......	£425
Palm Malayan	$485x	......	$500
Seeds			
Copra Philip	$345	-5	$355
Soyabean (U.S.)	$259.5x	......	$256
Grains			
Barley Fut. Mar	£107.45	+0.55	£103.75
Maize	‡	......	£128.00
Wheat Fut. Mar	£112.20	+0.55	£107.75
No2 HardWint	‡		‡
Other commodities			
Cocoa ship't*	£1238	-2	£1,139
Future Mar.	£1155.5	-1.0	£1087.5
Coffee Ft' Mar	£1116.5	+10	£1154.5
Cotton A.Index	67.35c	......	71.35c
Gas Oil Jan.	$326.75	+3.0	$326.5
Rubber (kilo)	50.50p	-0.25	52.5p
Sugar (Raw)	£172wz	+4	£148
Woolt'ps 64s kl.	379p kilo	......	376p kilo

‡ Unquoted. w Dec-Jan. x Jan. z Feb. y Jan-Feb. † Per 76-lb flask. * Ghana cocoa. n Nominal. § Seller.

AMERICAN MARKETS

‡Silver—Dec 886.5 (886.3), Jan 890.3 (890.5), Feb 898.0, March 903.0-910.0, May 924.0-930.0, July 947.0-948.0, Sept 968.5, Dec 1000.5, Jan 1010.7, March 1031.2, May 1051.7, July 1072.2, Sept 1092.7. Handy and Harman bullion spot: 880.00 (861.00).

*Gold—Dec 415.5 (422.5), Jan 418.5 (424.5), Feb 421.7-422.8, April 429.5-431.5, June 439.8, Aug 449.6, Oct 459.5, [illegible]

[illegible]

Tin—693.00-712.00 (694.00-705.00).

CHICAGO, Dec 17.

Lard—Chicago loose 18.00 (same). Live Cattle—Dec 60.10-60.60 (59.52), Feb 56.95-56.90 (55.65), April 56.55-56.60, June 57.80-57.65, Aug 56.97-57.05, Oct 56.00, Dec 57.25-57.15. Live Hogs—Dec 40.35 (38.85), Feb 40.77-40.60 (39.65), April 38.75-38.90, June 41.70-41.90, July 42.87, Aug 42.00, Oct 41.50, Dec 43.00, Feb 44.05, [illegible]

[illegible]

Wednesday's closing prices

††Cocoa—Dec 2008 (2042), March 2013 (2052), May 2020, July 2042, Sept 2082, Dec 2102, Nov 2142. Sales: 2,075.

Coffee—"C" Contract: Dec 146.50-147.25 (147.78), March 137.25-138.00 (137.69), May 131.50-132.00, July 129.50, Sept 128.00-128.50, Dec 125.20-125.25, March 123.50-124.50, May 115.00-124.70. Sales: 1,776.

Cotton—No. 2: March 63.35-63.48 (62.82), May 64.60-64.75 (64.25), July 65.85-66.00, Oct. 67.60, Dec. 69.00, March 70.10-70.20, May 71.10. Sales: 4,800.

Orange Juice—Jan. 124.70 (124.65), March 126.60 (125.80), May 127.75, July 129.00, Sept. 129.50-129.80, Nov. 129.95-130.00. Sales: 1,400.

CHICAGO, December 16.

Chicago Imm Gold—Dec. 423.5, March 432.5-433.0 (427.0), June 442.0-447.5, Sept. 461.0, Dec. 476.3, March 492.0, June 507.9, Sept. 524.0.

EUROPEAN MARKETS

ROTTERDAM, Dec 17.

Wheat—(U.S. $ per tonne): U.S. No Two Dark Hard Winter, 13.5 per cent: Dec 20/Jan 10 203, Jan 20/Feb 10 206, Feb 20/Mar 10 209, Mar 20/April 10 212. U.S. No Two Red Winter: Dec 175, Jan 1780, Feb 183, Mar 186.50. U.S. No Three Amber Durum: mid-Jan/mid-Feb 207, April/May 191, May/June 193, June/July 192, July/Aug 194, Aug/Sept 196, Sept/Oct 200, Oct/Nov 203. U.S. No Two Northern Spring 14 per cent: Dec 187, Jan 197, Feb 199, Mar 201, April/May 190, June/July 193, Aug/Sept 195. Canadian Western Red Spring: April/May 217.

Maize—(U.S. $ per tonne): U.S. No 3 Corn, Yellow: Afloat 119, Dec 120, Jan 117.50, Feb 121.50, Mar 124, April/June 126.50, July/Sept 130, Oct/Dec 131.50.

Soyabeans—(U.S. $ per tonne): U.S. No Two Yellow Gulfports: Jan 252, Feb 255.10, Mar 255.75, April 257.75, May 260, June 261, July 263, Aug 263, Sept 263, Oct 262.75, Nov 262.75, Dec 266.75 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent protein U.S. afloat 231, Dec 236, Jan 236.50, Feb 237.50, Mar 238.50, April/Sept 237.50 sellers. Brazil Pellets: Afloat 248, Dec 248, Jan/Mar 256.50, Feb 254, Mar 249.50, April/Sept 241.50 sellers.

PARIS, December 17

Sugar—(FFr per tonne): March 1955-1958, May 1991-1998, July 2010-2030, Aug 2085-2105, Oct 2085-2105, Nov 2080-2105, Dec [illegible]-2130, March 2120-2150. Sales at call: 2.

INDICES

FINANCIAL TIMES

Dec. 16	Dec. 15	Month ago	Year ago
246.26	245.80	249.09	260.85

(Base: July 1, 1952=100)

DOW JONES

Dow Jones	Dec. 16	Dec. 15	Month ago	Year ago
Spot	356.96	350.45	354.81	422.29
Fut	362.43	361.66	370.17	474.69

(Average 1924-25-26=100)

MOODY'S

Dec. 16	Dec. 15	Month ago	Year ago
974.9	972.6	983.7	1217.3

(December 31, 1931=100)

REUTERS

Dec. 17	Dec. 16	M'nth ago	Year ago
1615.1	1614.6	1608.1	1724.3

(Base: September 18, 1931=100)

Special situations dominate as markets move quietly towards Christmas holiday—Distillers, Henlys contrast

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Dec 7	Dec 17	Dec 22	Jan 4
Dec 23	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1

* "New time" dealings may take place from 9.30 am two business days earlier.

A further noticeable reduction in investment activity yesterday left London stock markets moving quietly and cautiously towards the weekend and the run up to the Christmas holiday. The level of trade was described as desperately thin in many sectors, including Gilt-edged, and only situation issues and companies reporting trading announcements attracted any sizeable interest.

Wednesday's easier tone on Wall Street gave equity dealers reason to be cautious at the start, but little stock came on offer throughout the session. Leading shares, as a result, tended to hover around their overnight levels, but the FT Industrial Ordinary share index closed 1.9 down at 518.7; the fall was largely attributable to weakness in constituent Distillers.

Mid-term profits below the lowest market estimate left Distillers down 14 at 164p, only 4 off its low for the year. Unigate closed unchanged at 100p, after 108p, as recently built-up speculative bull positions were unwound after the group reported creditable first-half earnings, but English China Clays benefited from annual results way above expectations.

Of the sectors, Motor Distributors became prominent following a market raid on Henlys during which an unnamed buyer attempted to acquire 2m shares at 125p: strong Wednesday on suggestions, denied yesterday, that Bank of Scotland was about to dispose of its large stake, Henlys shot up to 132p before closing a net 28 up at 123p compared with the year's low of 60p. Hartwells, Adams Gibbon and Dorada were three of the sector features.

Gilt-edged securities drifted a shade easier, finding little support from either the continued stability of sterling or the relative calm of UK money markets. Longer-dated stocks were often ¼ off at the close and the shorts generally ⅛ cheaper. The £40-paid short tap, Exchequer 14 per cent 1986, shed ⅛ to 37⅜.

Pennine Commercial loans continued to figure prominently among recently-issued Fixed Interest stocks, but interest yesterday switched from the 15½ per cent 1986 issue, up 3 more at £73, to the 12 per cent Convertible 1991, which rose to £78 before closing just a point up on balance at £70.

Deals arranged in Traded Options amounted to 780, comprising 590 calls and 199 puts. GEC attracted 122 calls and 46 puts, while Imps recorded 139 calls.

FNFC below best

A resurgence of speculative buying on bid hopes helped FNFC to touch 36½p before closing a net 3½ up at 35½p: the preliminary figures are due in the next Account. Continuing to respond to rumours of a foreign bid, Bank of Scotland advanced 12 more to 488p, after 493p. Unsettled recently by fears that the Monopolies Commission will veto the controversial bid from Hongkong and Shanghai, Royal Bank of Scotland rallied 5 to 180p, after 182p. Still awaiting the expected partial bid from the group's president, Lord Kissin, Guinness Peat hardened a couple of pence to 92p. NatWest, 7 dearer at 392p, led the major clearers into higher ground. Lloyds improved 3 at 425p and Midland 2 to 330p.

Minet featured Lloyds Brokers, rising 9 to 138p in response to the 92 per cent jump in nine-month profits and the confident statement. Others to rise in sympathy included Stewart Wrightson, 5 better at 222p, and Willis Faber, a similar amount dearer at 365p. C. E. Heath put on 3 to 275p as did Hogg Robinson, 109p.

Half-year figures well below market expectations prompted selling of Distillers which fell away to close around the day's lowest with a loss of 14 at 164p. Interest in Breweries centred mainly on Regionals, with Marston Thompson improving 4 to 67p and Vaux 2 to 138p following trading statements. Oldham gained 5 to 79p in sympathy.

Scattered buying interest was evident in the Building sector. Barratt Developments responded to support with a gain of 6 to 206p, while Bryant improved 3 to 74p and A. Monk ended similarly dearer at 58p. Nottingham Brick held at 120p following the sharply reduced earnings and maintained dividend. Blue Circle edged up 4 to 484p and Tarmac put on a couple of pence to 384p.

Sonic Sound up

Up to 282p at one stage, ICI drifted back to close unaltered on balance at 278p. Satisfactory half-year results left Plysu 5 dearer at 102p.

Secondary Stores were featured by a rise of 4 to 88p in Sonic Sound following the sharp increase in annual profits. Cornell Dresses put on 3 to 140p as did Hollas, to 83p, while Kean and Scott hardened a couple of pence to 34p. Up 7 on Wednesday on talk of a counter to the Habitat offer, Mothercare softened a penny to 174p.

Narrow mixed price movements were the order of the day among the Electrical leaders following a small trade. Plessey hardened a couple of pence to 347p but Racal softened that much to 423p. Elsewhere, Berec cheapened 3 to 148p in the wake of the board's decision to recommend shareholders to accept Hanson Trust's offer; the latter eased a penny to 295p but rival bidders Thomas Tilling improved 3 more to 147p on hopes that the company will withdraw from the battle. Unitech Scientific put on 7 to 532p awaiting today's preliminary results.

The Engineering leaders were featured by fresh demand for Tubes which gained 6 more to 114p. GKN edged up 4 further to 166p and Hawker Siddeley firmed 2 to 324p. Elsewhere, Whessoe stood out with a jump of 16 to 158p on the recovery to record profits, the return to the dividend list and the 100 per cent scrip issue. Also reflecting trading statements, British Steam Specialities rose 8 to 89p and Redman Heenan 4 to 44p. Revived demand lifted Brasway 4 to 79p, while Davy Corporation improved 3 more to 177p following confirmation of the £218m New Zealand contract.

Sidlaw Inds pleases

Unigate touched 108p in immediate response to the half-year figures before turning reactionary and closing unaltered on the day at 100p. Continued demand left Northern Foods up 5 more at 150p, while other bright spots in the sector included B. Matthews, 5 higher at 110p, and Wm. Morrison, 4 dearer at 160p. Paterson Jenks hardened 2 to 83p in response to the interim results. Lennons were quoted ex rights at 51p, with the new shares at 6p premium. Tesco closed a penny lower at 54p: it was announced yesterday that 1m shares had been placed on Wednesday by trustees from the non-beneficial interests of Mr L. Porter at 53p per share. Among Hotels, Grand Metropolitan drifted off to close 3 cheaper at 176p.

Companies reporting trading statements provided the main interest in an otherwise lacklustre miscellaneous industrials sector. Sidlaw Industries stood out with a jump of 28 to 218p, after 220p, in response to the much-better-than-expected preliminary results and proposed 50 per cent scrip-issue, while annual profits some £8m above expectations buoyed English China Clays, the subject of much recent speculation about possible dawn raid or bid, and the close was 6 higher at 158p, after 159p. Benlox improved 2 to 24p and Syltone 5 to 170p following satisfactory half-year statements. Alexander Russell improved 5 more to 143p on further consideration of the first-half statement. News of the diversification plans left Wolverhampton Steam Laundry a penny better at 48p, while Sothebys added 10 to 420p on the announcement that the 10 per cent buyers' premium is to be retained. G. R. Holdings found support at 223p, up 6, and Wolseley-Hughes gained 5 to 310p. Against the trend, T. W. Ward lost 6 to 192p as hopes of an increased bid from RTZ faded. Reed International also gave up 6, to 238p, among the quietly dull leaders.

Television issues were inclined harder among Leisure issues. HTV put on 3 to 104p and Trident A recorded a similar improvement to 83p.

The events in Henlys, up 28 at 123p, after 132p, aroused considerable interest throughout Garages and Distributors. Most closed at the day's highest and many showed good gains against the general trend. Hartwells, 90p, and Adams Gibbon, 81p, ended up around 6, while Kenning Motor, 76p, Braid, 33p, and Tate of Leeds, 81p, all put on 4. Dorada were also good at 27p, up 3.

Motor Components had an outstanding feature in AE which jumped 7 to 44p on the pleasing annual statement, but the sector also provided a casualty in Dowty, down 5 at 135p. Among Commercial Vehicles, ERF responded to news of heavy truck orders worth £4m, with a rise of 8 to 66p.

Press suggestions of possible mergers within the sector made little impact on Advertising Agencies where Gordon and Gotch hardened 3 further to 150p.

Oils firm late

Capital and Counties highlighted Properties, rising 8 to 114p, after 115p, on the announcement that a strategic near-30 per cent stake in the company had changed hands—the Gencor mining finance house sold its holding to a UK subsidiary of Liberty Life Association of Africa. Still on hopes of a bid following Town and City's surprise offer for Berkely Hambro, London Shop added 2 more to 140p and Daejan put on 3 further to 165p. Carlton Real Estates, on the other hand, gave up 2 to 19p on the proposed £0.6m rights issue.

Oil shares held steady until the after-hours dealings when quotations trended a little firmer. British Petroleum hardened 2 to 420p and Lasmo put on 10 to 445p, while Burmah were noteworthy for a gain of 6 to 130p. Renewed support lifted Candecca 8 to 220p, while Pict Petroleum edged up 6 to 130p and NCC 3 to 93p.

Australian Agricultural were noteworthy with a rise of 15 to 165p in Overseas Traders.

Movements in Trusts were usually limited to a few pence either way. Among Financials, English Association revived with a rise of 4 to 150p, while International Investment Trust were noteworthy for a gain of 10 to 370p. London Merchant Securities encountered support and rose 4 to 61p, with the Deferred 5 dearer at 49p.

P & O Deferred, down a penny at 124p, became a much quieter market after the previous day's bout of speculative activity.

Leeds Dyers hardened 2 to 67p in narrowly mixed Textiles, but Nova Jersey cheapened that much to 81p.

Sampang Jawa became a firm counter in the Unlisted Securities Market, improving 1½ to 12½p on speculative support.

Quiet Mines

An uninspiring performance by the bullion price—finally unaltered at $416.50 an ounce—led to a quiet day in mining markets.

South African Golds opened a shade firmer but drifted back on lack of interest. The Gold Mines index eased 1.0 to 334.5.

Heavyweights generally held steady with Buffels a feature and finally ½ up at £21½, but the medium- and lower-priced issues sustained widespread falls. ERGO dipped 13 to 330p, Doornfontein 27 to 850p and Loraine 11 to 161p.

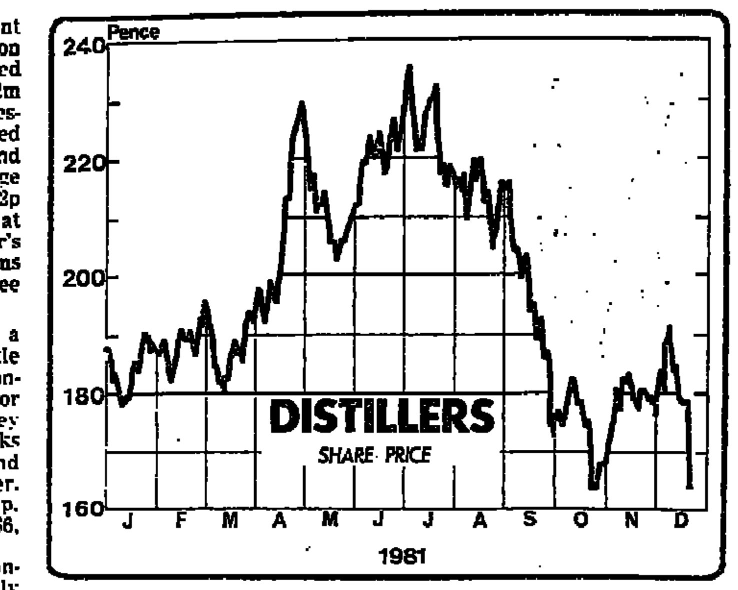
Financials managed to retain initial minor gains. In the South Africans, "Amgold" edged up ½ to £44¼ while Gold Fields of South Africa put on a like amount to £38½.

"Johnnies" held steady at £38½ ahead of the unchanged interim dividend. London Financials closed little changed.

Australians were mixed. In the leaders, Western Mining improved 5 to 253p and CRA 4 to 178p. Hampton Areas gave up 3 to 166p on light profit-taking after Wednesday's more than doubled half-year profits.

The oil and gas issues provided a good deal of activity with Claremont Petroleum opening higher at 78p on renewed rumours of a possible takeover bid from Alliance Oil Development, but closed barely changed at 75p; the Jackson 1 oil discovery, 10 per cent owned by Claremont, has been completed as a producer and an appraisal well and Jackson 2 is expected to commence drilling by mid-January. Pelsart Resources attracted speculative interest and rose 2½ to 31p.

In a quiet Tins section Geevor held at 155p following the half-year loss.



FINANCIAL TIMES STOCK INDICES

	Dec. 17	Dec. 16	Dec. 15	Dec. 14	Dec. 11	Dec. 10	A year ago
Government Secs	62.56	62.81	62.50	62.33	62.73	63.45	68.03
Fixed Interest	63.28	63.38	63.30	63.32	63.52	63.90	69.91
Industrial Ord.	518.7	520.6	513.5	513.6	520.2	525.5	466.5
Gold Mines	334.5	335.5	333.8	346.0	331.8	327.6	435.1
Ord. Div. Yield	5.80	5.79	5.87	5.86	5.80	5.74	7.64
Earnings, Yld. % (full)	10.11	10.09	10.23	10.24	10.13	10.02	17.14
P/E Ratio (net) (*)	12.50	12.52	12.36	12.49	12.64	12.77	7.14
Total bargains	13,669	13,827	13,800	13,548	12,500	15,335	16,218
Equity turnover £m.	—	107.43	100.75	85.86	82.05	114.35	105.47
Equity bargains	—	10,404	10,233	10,663	10,385	12,571	11,075

10 am 520.4 11 am 519.2. Noon 518.6. 1 pm 520.1. 2 pm 519.4 3 pm 519.2.
Latest Index 01-246 8026.
*Nil=11.17.
Basis 100 Govt Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/5)	60.17 (26/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/5)	61.61 (26/10)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	429.0 (14/9)	262.6 (22/5)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 16	Dec. 15
—Daily		
Gilt Edged Bargains	131.3	147.7
Equities Bargains	67.4	66.3
Value	217.1	203.6
5-day Avrge.		
Gilt-Edged Bargains	146.1	153.2
Equities Bargains	70.3	72.6
Value	198.3	202.5

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, December 16, 1981. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions. Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	50.08
Albania	Lek	5.5298
Algeria	Dinar	4.1875
Andorra	Fr. Franc	5.7525
	Sp. Peseta	97.43
Angola	Kwanza	30.214
Antigua	E. Caribbean $	2.7025
Argentina	Peso (C)(4)	6915.00
	Peso (F)(5)	11025.00
Australia	Dollar	0.8823
Austria	Schilling	15.90
Azores	Port. Escudo	65.50
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Is.	Sp. Peseta	97.43
Bangladesh	Taka	17.75
Barbados	Dollar	2.01
Belgium	Franc (C)	37.76
	Franc (F)	44.00
Belize	Dollar	2.00
Benin	C.F.A. Franc	287.625
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	9.15
Bolivia	Peso	24.75
Botswana	Pula	0.8778
Brazil	Cruzeiro	124.69
Brunei	Dollar	2.055
Bulgaria	Lev	0.926
Burma	Kyat	6.4515
Burundi	Franc	90.00
Cameroon Rp.	C.F.A. Franc	287.625
Canada	Dollar	1.1907
Canary Is.	Sp. Peseta	97.43
Cape Verde	Escudo	36.51
Cayman Is.	Dollar	0.833
Cen. Af. Rep.	C.F.A. Franc	287.625
Chad	C.F.A. Franc	287.625
Chile	Peso (O)	39.00
China	Renminbi Yuan	1.73
Colombia	Peso (O)	55.56
Comoros	C.F.A. Franc	287.625
Congo (P'ple. Rep. of)	C.F.A. Franc	287.625
Costa Rica	Colon (O)	8.60
	Colon	20.03
Cuba	Peso	0.8012
Cyprus	Pound*	2.3068
Czechoslovakia	Koruna (O)	5.80
Denmark	Krone	7.355
Djibouti Rp. of	Franc	178.50
Dominica	E. Caribbean $	2.7025
Domin. Rep.	Peso	1.00
Ecuador	Sucre	28.425
Egypt	Pound* (O)	1.4493
	Pound* (3)	1.2318
El Salvador	Colon	2.50
Eq'tl Guinea	Ekuele	194.86
Ethiopia	Birr (O)	2.0264
Faeroe Is.	Dan. Krone	7.355
Falkland Is.	Pound*	1.895
Fiji	Dollar	0.8764
Finland	Markka	4.3795
France	Franc	5.7525
Fr. Cty in Af.	C.F.A. Franc	287.625
Fr. Guiana	Franc	5.7525
Fr. Pac. Is.	C.F.P. Franc	97.9255
Gabon	C.F.A. Franc	287.625
Gambia	Dalasi	2.1108
Germany (E)	Ostmark (O)	2.271
Germany (W)	Mark	2.271
Ghana	Cedi	2.75
Gibraltar	Pound*	1.895
Greece	Drachma	57.50
Greenland	Dan. Krone	7.355
Grenada	E. Caribbean $	2.7025
Guadeloupe	Franc	5.7525
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00
Guinea Bissau	Peso	37.5731
Guinea Rep.	Syli	21.2479
Guyana	Dollar	2.9831
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
Hong Kong	Dollar	5.81
Hungary	Forint	35.00
Iceland	Krona	8.18
India	Rupee	9.15
Indonesia	Rupiah	630.00
Iran	Rial (O)	79.00
Iraq	Dinar	0.2999
Irish Rep.	Punt*	1.5495
Israel	Shekel	15.25
Italy	Lira	1212.50
Ivory Coast	C.F.A. Franc	287.625
Jamaica	Dollar	1.7834
Japan	Yen	211.90
Jordan	Dinar	0.331
Kampuchea	Riel	n.a.
Kenya	Shilling	10.2784
Korea (Nth)	Won	0.9625
Korea (Sth)	Won	690.40
Kuwait	Dinar	0.2822
Lao P'ple D. Rep.	Kip	10.00
Lebanon	Pound	4.675
Lesotho	Loti	0.9671
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenstein	Sw. Franc	1.79
Luxembourg	Lux Franc	37.76
Macao	Pataca	5.83
Madagascar D. R.	Franc	287.625
Madeira	Port. Escudo	65.50
Malawi	Kwacha	0.9051
Malaysia	Ringgit	2.247
Maldive Is.	Rupee	3.95
Mali Rp.	Franc	575.25
Malta	Pound*	2.5906
Martinique	Franc	5.7525
Mauritania	Ouguiya	57.523
Mauritius	Rupee	10.7594
Mexico	Peso	26.10
Miquelon	Fr. Franc	5.7525
Monaco	Fr. Franc	5.7525
Mongolia	Tugrik (O)	3.3555
Montserrat	E. Caribbean $	2.7025
Morocco	Dirham	5.2981
Mozambique	Metica	29.7626
Namibia	S.A. Rand	0.9671
Nauru Is.	Aust. Dollar	0.8823
Nepal	Rupee	13.20
Netherlands	Guilder	2.48
Neth. Ant'les	Guilder	1.80
New Zealand	Dollar	1.1947
Nicaragua	Cordoba	10.00
Niger Rp.	C.F.A. Franc	287.625
Nigeria	Naira (O)	0.6567
Norway	Krone	5.7695
Oman, Sultanate of	Rial	0.3456
Pakistan	Rupee	9.90
Panama	Balboa	1.00
Papua N.G.	Kina	0.6758
Paraguay	Guarani	126.00
Peru	Sol	493.49
Philippines	Peso	8.112
Pitcairn Is.	N.Z. Dollar	1.1947
Poland	Zloty (O)	31.00
Portugal	Escudo	65.50
Port Timor	Escudo	n.a.
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.6397
Reunion Ile de la	Fr. Franc	5.7525
Romania	Leu (O)	4.47
Rwanda	Franc	92.84
St. Christopher	E. Caribbean $	2.7025
St. Helena	Pound*	1.895
St. Lucia	E. Caribbean $	2.7025
St. Pierre	Fr. Franc	5.7525
St. Vincent	E. Caribbean $	2.7025
Samoa (Western)	Tala	0.9346
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1212.50
Sao Tome & Principe DR	Dobra	38.9491
Saudi Arabia	Riyal	3.417
Senegal	C.F.A. Franc	287.625
Seychelles	Rupee	7.1612
Sierra Leone	Leone	1.1766
Singapore	Dollar	2.055
Solomon Is.	Dollar	0.8871
Somali Rep.	Shilling (6)	6.35
	Shilling (7)	12.46
South Africa	Rand	0.9671
Spain	Peseta	97.43
Span. Ports in N. Africa	Sp. Peseta	97.43
Sri Lanka	Rupee	20.55
Sudan Rep.	Pound* (1)	1.1111
Surinam	Guilder	1.785
Swaziland	Lilangeni	0.9671
Sweden	Krona	5.5575
Switzerland	Franc	1.85
Syria	Pound	3.9252
Taiwan	Dollar (O)	37.91
Tanzania	Shilling	8.0759
Thailand	Baht	23.00
Togo Rep.	C.F.A. Franc	287.625
Tonga Is.	Pa'anga	0.8823
Trinidad & Tobago	Dollar	2.4065
Tunisia	Dinar	0.5671
Turkey	Lira	131.65
Turks & Caicos	U.S. $	1.00
Tuvalu	Aust. Dollar	0.8823
Uganda	Shilling	78.00
Utd. A. Emir.	Dirham	3.672
Utd. Kingdom	Pound Sterling*	1.895
Upper Volta	C.F.A. Franc	287.625
Uruguay	Peso	11.48
U.S.S.R.	Rouble	0.7149
Vanuatu	Vatu	92.9697
Vatican	Lira	1212.50
Venezuela	Bolivar	4.30
Vietnam	Dong (O)	2.18
Virgin Is. Br.	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	4.57
Yemen PDR	Dinar	0.3454
Yugoslavia	Dinar	39.27
Zaire Rp.	Zaire	5.4651
Zambia	Kwacha	0.8816
Zimbabwe	Dollar	0.7194

n.a. Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F) Financial rate. (1) Sudan—By decree on 9/11/81 dual exchange rate abolished and Sudanese Pound devalued by 4½ per cent. (3) Egypt—Floating rate fixed daily by Central Bank of Egypt for Importers, Exporters, Tourists. (4) Argentina: June 22 Two Tier Policy Adopted. Commercial fixed by Central Bank of Imports and Exports. (5) Argentina: Financial allowed a clean float. (6) Somali: Parallel exchange rates introduced July 1—for essential imports. (7) Somali: Exports and Non-Essential Imports and Transfers.

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (17)

BRITISH FUNDS (1)
Treasury 3pc 1982
COMMONWEALTH LOANS (1)
Australia 5½pc '81-82
BANKS (1)
Bank of Scotland
STORES (1)
Steinberg
ENGINEERING (2)
Weir Group Whessoe
FOODS (1)
Batleys of Yorkshire
INDUSTRIALS (3)
G.R. (Hlds.) Wolseley-Hughes
Hanson Tst. 6 pcCv. '88-93
LEISURE (2)
HTV N/V Trident TV A
MOTORS (2)
Henlys Braid Group
PROPERTY (1)
Berkeley Hambro
TEXTILES (1)
Leeds Dyers
MINES (1)
Acmex

NEW LOWS (8)

BRITISH FUNDS (1)
Treasury 13¼pc '97
CANADIANS (1)
Imperial Oil
ELECTRICALS (1)
Arlen Elect.
ENGINEERING (1)
Redman Heenan
INDUSTRIALS (1)
Stelux Manuftrs.
PROPERTY (1)
Carlton Real
SHIPPING (1)
Gotaas-Larsen
MINES (1)
Metramar

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	6	76	9
Corpns., Dom. and Foreign Bonds	5	2	65
Industrials	234	151	969
Financial & Props.	78	73	358
Oils	20	27	60
Plantations	—	6	16
Mines	27	36	104
Others	41	41	71
Totals	411	412	1,652

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 14	Dec 29	Mar 25	Apr 5
Jan 4	Jan 15	Apr 15	Apr 26
Jan 18	Jan 29	Apr 28	May 10

For rate indications see end of Share Information Service

Money was given for the call of First National Finance, Town and City, KCA Drilling P & O Deferred, Lofs, Nimslo, Lonrho, Palliser Resources, Black and Edgington, Imperial Royal Bank of Scotland, Charterhall, Vickers and KCA International. Puts were arranged in Tubes, Royal Bank of Scotland, Premier Consolidated and Loraine, while double options were transacted in First National Finance, Town and City and Sainsbury.

RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times covered	Gross yield	P.E. ratio
§80	F.P.	8/1	84	80	✱A & G Sec. Elecs.5p	81	......	b2.76	2.5	5.0	12.6
—	F.P.	4/12	850	775	✱Asprey	825	......	35.0	3.5	5.9	6.2
168	F.P.	8/1	211	191	Cable & Wireless 50p	206	−2	b6.3	2.0	4.4	16.4
§35	F.P.	—	35	32	✱City Site	33	......	b0.5	1.2	2.2	54.8
225	F.P.	5/2	240	233	Comp.&Systs.Eng 20p	235	......	b3.15	3.8	1.9	16.19
82	F.P.	22/1	86	83	Cussins Prop.	83	......	b4.9	2.5	8.4	6.1
80	F.P.	13/1	84	81	✱Equipu.	83	......	bd3.1	2.1	5.3	12.3
140	F.P.	18/2	187	170	Exco 10p	182	+6	b4.6	2.2	3.5	16.5
—	F.P.	—	10	9	F&C Enter. Warrants	10	......	—	—	—	—
61	F.P.	22/1	63	62	✱Good Relations Grp	62	......	b2.5	2.0	5.8	12.3
§50	F.P.	9/12	50	39	✱Gr'nw'hCable&Cm.	39	......	—	—	—	—
100	F.P.	22/1	109	101	✱Hardanger Prop.	101	......	bd9.9	2.2	15.9	4.7
150	F.P.	4/1	165	157	✱Hayters	158	......	b10.5	1.8	9.5	7.3
§10½	F.P.	2/12	18	14	✱Humberside El. 10p	18	......	—	—	—	—
63	F.P.	2/12	76	69	✱JohnstonesP'int10p	74	......	b3.53	2.5	6.8	7.7
100	F.P.	8/1	104	100	New Australia Inv.50p	103	......	—	—	—	—
US$5.90	F.P.	—	305	298	Newmarket (1981)	300	−5	—	—	—	—
US$4.25	F.P.	—	205	145	✱Nimslo Int. 20c	160	......	—	—	—	—
§§	F.P.	—	9	4½	Peak Hldgs.	8	+1	—	—	—	5.4
—	F.P.	—	12½	8	Sampang (Java) 2½p	12½	+1½	—	—	—	—
—	50p	—	82	78	✱Saxon Oil	70	......	—	—	—	—
§67	F.P.	18/12	70	68	✱Sheldon Jones	69	......	u3.5	2.4	7.2	7.8
†	F.P.	31/12	33	31	✱Television South10p	33	......	—	—	—	—
—	F.P.	—	5	4½	Viners 1p	4½	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price	+ or −
97.48	£25	—	26½	23¼	Caisse Nat. Des Auto. 16% Gtd. Ln. 2006	24	−¼
100	£10	25/2	13	12	Essex Water 10% Red. Prf. 1986	12½	......
‖	Nil	—	7pm	5pm	Haslemere Est 9pc.Conv Uns Ln. 2001/06	6pm	+½
¶¶	F.P.	—	153p	135p	McLeod Russel 8.4% Cnv. Red. Cum. Prf	147p	−6
§100	F.P.	—	100½	99	Nat'wide Bdg.Society 15⅞% Bds (24/11/82)	99	......
§100	F.P.	—	100	99¼	Do. 15⅞% Bds. (13/12/82)	99¼	......
69	F.P.	—	78	64	Pennine Comm.12pc.Conv.Uns.Ln.1991	70	+1
70	F.P.	—	73	54	Do. 15½ pc. Uns. 1986	73	+3
—	F.P.	—	135	115	Viners 10% Cnv. Loan 1988	118	......

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	Latest Renunc. date ■	1981 High	1981 Low	Stock	Closing price p	+ or −
7½	Nil	31/12	29/1	1pm	⅜pm	Abwood Mach	⅜pm	......
142	Nil	29/12	29/1	15½pm	13pm	Brown (M)	14pm	+1
2.5A$	Nil	—	—	92pm	60pm	C S R	82pm	......
168	Nil	25/12	21/1	21pm	15pm	Great Portland Estates	15pm	......
44	Nil	—	—	6pm	6pm	Lennons Grp	6pm	......
7½	F.P.	18/12	15/1	9½	7¾	Raglan Prop.	9	......
50	F.P.	17/12	21/1	51	50	Strong & Fisher	50	......
05 cts	Nil	10/12	28/1	117pm	103pm	T N T	115pm	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *d* Dividend rate paid or payable on part of capital: cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. *m* Interim since increased or resumed. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Issued as a unit comprising 33 Ordinary and £5 Loan 1986-88.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
AE	44	+7	English China Clays	158	+6
Bank of Scotland	488	+12	FNFC	35½	+3½
Barratt Development	206	+6	Hartwells	90	+6
Candecca	220	+8	Minet	138	+9
Distillers	164	−14	Sidlaw Industries	218	+28
Dowty	135	−5	Whessoe	158	+16

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Wednesday's closing price pence	Day's change	Stock	No. of price changes	Wednesday's closing price pence	Day's change
Berkly. Hambro	12	328	+1	BAT Inds	10	340	—
GEC	12	805	+18	BET Defd	10	138	+9
Tilling (Thos)	12	144	+7	ICI	10	278	—
Cable & Wire	11	208	+3	Racal Elec	10	425	+5
Fisons	11	145	+10	Town & City	10	31	+½
Nwmrkt (1981)	11	305	—	Boots	9	196	+3
P & O Defd	11	125	+7	Plessey	9	345	+10

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thur Dec 17 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed Dec 16 Index No.	Tues Dec 15 Index No.	Mon Dec 14 Index No.	Fri. Dec 11 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	350.05	+0.3	9.99	4.54	12.40	348.94	344.86	344.86	346.97	283.10
2	Building Materials (25)	298.20	+0.2	15.17	5.76	7.54	297.72	296.43	296.79	300.43	239.74
3	Contracting, Construction (28)	525.26	+0.5	17.88	5.37	6.53	522.70	521.75	521.92	528.47	399.52
4	Electricals (30)	1218.69	—	7.53	2.40	16.94	1218.74	1197.51	1187.12	1191.83	936.37
5	Engineering Contractors (9)	484.16	+1.2	13.16	5.73	8.87	478.28	470.62	470.23	475.03	395.13
6	Mechanical Engineering (66)	188.12	+0.1	11.34	5.79	11.23	187.84	186.53	186.97	188.90	171.90
8	Metals and Metal Forming (12)	162.00	+0.7	8.51	7.50	15.89	160.82	159.55	160.38	161.84	136.28
9	Motors (21)	93.78	+2.0	—	7.27	—	91.93	90.88	91.00	92.57	90.12
10	Other Industrial Materials (18)	367.75	+0.9	9.09	6.16	13.33	364.30	359.45	360.58	365.75	0.00
21	CONSUMER GROUP (198)	264.05	−0.3	13.70	6.24	8.96	264.78	263.11	262.81	265.86	236.67
22	Brewers and Distillers (20)	266.93	−1.7	17.28	7.23	6.92	271.51	268.81	268.27	269.99	263.77
25	Food Manufacturing (21)	261.77	+0.5	15.80	6.58	7.62	260.51	258.57	257.88	261.12	211.77
26	Food Retailing (15)	536.48	−0.4	9.88	3.66	12.25	538.63	536.30	536.33	544.42	442.08
27	Health and Household Products (7)	339.23	—	9.25	4.72	12.70	339.36	335.37	335.44	340.83	249.65
29	Leisure (24)	415.13	+0.2	9.85	5.33	12.65	414.23	413.26	412.10	414.45	346.06
32	Newspapers, Publishing (12)	482.38	+0.4	12.78	6.25	11.34	480.49	477.38	479.79	483.93	427.82
33	Packaging and Paper (13)	126.96	−0.8	16.24	8.49	7.34	127.92	128.13	128.13	130.42	113.25
34	Stores (46)	236.07	−0.2	12.20	5.72	10.98	236.43	235.21	235.08	238.45	246.11
35	Textiles (23)	151.31	+0.1	10.63	6.53	12.13	151.12	150.18	150.12	152.15	123.37
36	Tobaccos (3)	251.16	−0.4	23.04	10.38	4.98	252.14	251.26	251.23	252.41	201.21
39	Other Consumer (14)	244.26	+0.2	7.89	7.40	20.98	243.83	242.93	244.11	244.86	0.00
41	OTHER GROUPS (80)	224.10	−0.3	11.36	6.23	11.19	224.75	222.93	222.35	223.96	217.16
42	Chemicals (16)	286.63	−0.1	6.31	6.31	24.80	286.86	285.63	285.21	288.99	295.97
44	Office Equipment (4)	114.66	−0.8	15.95	7.68	7.50	115.57	116.92	113.00	111.72	102.45
45	Shipping and Transport (13)	502.03	−0.4	21.35	7.36	5.58	504.01	497.23	497.79	502.65	544.06
46	Miscellaneous (47)	289.31	−0.4	12.54	5.60	9.72	290.38	286.44	286.66	287.81	262.29
49	INDUSTRIAL GROUP (487)	287.64	—	11.95	5.58	10.35	287.78	285.30	284.79	287.59	250.78
51	Oils (13)	754.69	+0.2	18.87	7.48	6.00	753.03	750.18	748.84	763.79	946.14
59	500 SHARE INDEX	325.47	—	13.23	5.93	9.13	325.47	322.95	322.38	326.14	305.65
61	FINANCIAL GROUP (119)	252.11	+0.2	—	6.04	—	251.58	250.35	249.60	253.17	231.76
62	Banks (6)	275.47	+1.0	32.59	6.83	3.61	272.70	272.07	270.91	276.29	240.18
63	Discount Houses (9)	246.37	−0.2	—	8.99	—	246.88	250.75	252.81	257.86	280.76
64	Hire Purchase (3)	230.21	+1.6	13.51	8.03	10.25	226.69	226.69	228.73	227.85	197.36
65	Insurance (Life) (9)	248.46	−0.8	—	6.45	—	250.52	248.11	246.51	250.08	230.57
66	Insurance (Composite) (10)	156.00	−0.4	—	8.58	—	156.65	155.24	154.40	156.63	145.48
67	Insurance Brokers (8)	414.88	+1.4	11.22	5.87	12.07	409.28	408.01	408.72	412.66	317.42
68	Merchant Banks (12)	151.86	+0.2	—	5.38	—	151.56	151.84	152.25	153.57	142.59
69	Property (50)	457.00	+0.2	4.84	3.20	27.67	456.26	453.55	453.02	458.48	438.77
70	Miscellaneous (12)	173.43	+0.2	17.38	6.08	7.04	173.11	173.27	172.80	174.53	163.22
71	Investment Trusts (110)	285.08	+0.1	—	5.67	—	284.92	283.80	284.01	286.06	279.34
81	Mining Finance (4)	243.36	+0.1	14.16	5.84	8.50	243.19	241.20	241.79	239.84	230.38
91	Overseas Traders (17)	405.35	−0.6	13.00	7.85	9.39	407.59	407.02	405.11	409.12	423.01
99	ALL-SHARE INDEX (750)	308.90	—	—	5.97	—	308.79	306.66	306.11	309.58	280.37

FIXED INTEREST

	PRICE INDICES	Thur Dec 17	Day's change %	Wed Dec 16	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	105.09	−0.01	105.11	—	10.97
2	5-15 years	99.26	−0.31	99.56	—	13.00
3	Over 15 years	100.55	−0.31	100.85	—	14.59
4	Irredeemables	110.65	−0.55	111.26	—	13.59
5	All Stocks	101.30	−0.22	101.52	—	12.79
6	Debentures & Loans	79.46	+0.14	79.35	—	10.92
7	Preference	60.78	—	60.78	—	6.82

	AVERAGE GROSS REDEMPTION YIELDS		Thur Dec 17	Wed Dec 16	Year ago (approx.)
	British Government				
1	Low	5 years	13.45	13.42	12.14
2	Coupons	15 years	14.00	13.92	12.13
3		25 years	14.01	13.98	12.13
4	Medium	5 years	16.07	16.01	13.77
5	Coupons	15 years	15.92	15.86	14.02
6		25 years	15.27	15.22	13.64
7	High	5 years	15.88	15.80	13.73
8	Coupons	15 years	16.10	16.05	14.23
9		25 years	15.77	15.70	14.07
10	Irredeemables		13.57	13.49	12.50
11	Debs & Loans	5 years	16.53	16.48	14.72
12		15 years	16.63	16.58	14.59
13		25 years	16.51	16.49	14.42
14	Preference		16.40	16.40	14.18

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26p.

مكتبة الأهرام

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

American Growth	64.4	69.2	.....	2.10
Capital	38.2	41.3	.....	4.13
(Accum. Units)	49.4	53.4	+0.1	4.12
General	58.9	63.7	+0.1	4.82
Gilt & Fixed Int.	94.8	99.8	-0.3	13.13
Income	36.6	39.6	+0.1	9.44
Worldwide Bond	106.5	112.7	-0.1	5.94
Inv. Tst. Fd.	50.8	54.9	.....	4.37
Equitas Prog.	82.9	89.6	+0.1	4.56

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt Trust	82.5	86.8	-0.4	13.99

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex
Brentwood (0277) 211459 & 229123

Balanced Funds				
Allied 1st	89.9	96.2	+0.1	5.60
Brit. Inds. Fund	75.8	81.1	-0.1	6.58
Growth & Income	56.8	60.8	.....	4.11
Elect. & Ind. Dev.	46.5	49.8	+0.2	4.82
Allied Capital	97.4	104.2	+0.1	4.79
Hambro Fund	133.3	142.6	+0.1	5.89
Hambro Acc. Fund	196.5	210.2	-0.1	4.73
Income Funds				
High Yield Fd.	64.3	68.8	+0.1	9.24
High Income	81.6	87.3	+0.1	7.35
Equity Income Fd.	47.1	50.4	.....	7.32
Govt. Secs.	22.4	23.0	-0.1	13.83
International Funds				
International	36.6	39.2	.....	2.35
Japan Fund	29.9	32.0	+0.2	0.51
Pacific Fund	73.4	78.5	+0.2	1.05
Secs. Of America	84.9	90.8	-0.1	2.64
Specialist Funds				
Smaller Co.'s Fd.	56.8	60.8	+0.1	3.87

Chieftain Trust Managers Ltd (a) (g)
11, New St., EC2M 4TP. 01-283 2632

American (z)	27.8	30.2	+0.2	1.63
Australian (z)	23.7	25.8	-0.5	0.97
Far Eastern Tst. (z)	42.3	45.9	-0.5	2.24
High Income	32.6	35.8	.....	12.30
Intl. Trust (z)	49.9	54.2	-0.3	1.40
Basic Resources Tst.	48.3	52.5	.....	2.14
Inom. Growth Tst.	24.1	26.2	+0.1	8.25
Pref. & Gilt Tst.	18.7	20.3	.....	15.71
Smaller Co's Trust	27.7	30.1	+0.2	3.62

Chorderton Fund Managers(g)
57-63, Princess St., Manchester. 061-236 5685

Growth	15.9	17.1	+0.1	3.78
International	64.4	69.6	+0.5	1.16
High Income	27.7	29.9	.....	11.86

Confederation Funds Mgt. Ltd. (a)
50, Chancery Lane, WC2A 1HE. 01-242 0282

Growth Fund	73.7	77.5	.....	3.72

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	34.5	37.7	+0.9	12.12
North American	61.1	66.0	+0.1	2.59
Canadian Exempt*	65.2	69.1	.....	3.06
Canadian Trust	54.1	58.4	+0.1	3.08
NM Mount High Inc.*	43.6	46.1	.....	10.39
Recovery	51.9	56.7	+0.5	3.86
Gilt Trust	37.6	39.3	-0.1	14.64

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	42.8	46.2	-0.1	0.54
Cres. Internat'l.	90.2	97.4	-0.5	1.54
Cres. High. Dist.	42.4	45.7	+0.2	9.58
Cres. Reserves	50.7	54.7	.....	5.48
Cres. Tokyo	41.4	44.7	+0.1	0.28

Darlington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.1	24.5	.....	8.98

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Dec. 4	240.4	256.4	.....	5.21

E. F. Winchester Fund Mngt. Ltd.

L. & C Unit Trust Management Ltd.

Legal & General (Unit Tst. Mngrs.) Ltd.
5 Rayleigh Rd., Brentwood

Leonine Administration Ltd.
2, St. Mary Axe

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)
Registrar's Dept., Goring-by-Sea, Worthing, West Sussex.

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe

INSURANCE PROPERTY BONDS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

CANADIANS—Continued

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Contd.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
71	40	Hewitt (J.)	48	.....	†1.8	5.2	5.4	4.4
50	26	Highgate & Job 50p	39	.....	—	—	—	—
162	40	Hill (Chas.) £1	140	.....	—	—	—	—
116	86	Holden (A.)	103xd	.....	5.0	2.2	6.9	7.8
47	24	Hollis Bros	24	.....	—	—	—	—
77	49	Holt Lloyd Int. 10p	53	.....	3.17	1.5	8.5	9.6
163	68	Hoover 'A'	72	+2	‡6.0	—	‡	—
133	39	Hoskins & H 20p	108	+1	†2.0	—	2.6	—
76	48	Howard Tenens	59	.....	‡1.55	0.6	‡	64.9
430	210	Hunting Assoc.	210	.....	5.0	5.8	3.4	5.3
160	75	Huntleigh 10p	100	+2	†1.5	4.2	2.1	12.1
276	120	Hutch Whamp $HK1	168	−5	†Q34c	2.7	2.0	20.3
15	9	Hyman (I. & J.) 5p	13	.....	†0.83	0.1	‡	—
£20¼	£12⅞	I.C. Industries $1	£18⅛xd	.....	Q$2.20	—	6.4	—
70	25	ICL	43	+1	—	—	—	—
44	35	Ingall Inds. 10p	38½	.....	2.5	1.5	9.3	11.6
251	180	Initial Services	243	−1	†9.0	2.5	5.4	10.8
25	9	Inter-City 20p	19	−½	—	—	—	—
102	39	J. B. Holdings 10p	102	.....	†3.0	4.9	4.2	6.6
192	110	Jacksons Bourne	158	−2	5.0	1.4	4.6	23.0
27	12	James (M.) Inds. 10p	22½	.....	†1.0	3.3	6.5	5.2
248	118	Jardine M. $HK5	168	−8	†Q88c	2.0	4.8	20.5
25½	15	Jentique	21	.....	1.3	0.1	8.8	—
257	152	Johnson Clnrs.	211	−1	†7.0	3.4	4.7	6.9
*300	186	Johnson Mthy. £1	273xd	.....	9.5	2.3	5.0	(8.1)
82	57	Jourdan (T.) 10p	66	.....	5.25	1.8	11.4	6.9
81	37	Kalamazoo 10p	39	+1	2.5	0.9	9.2	18.3
170	128	Kelsey Inds.	137	−1	8.0	ϕ	8.7	ϕ
148	112	Kennedy Sm. 10p	143	−2	†4.38	4.1	4.4	7.4
330	225	Kershaw (A.) 5p	260	+10	21.75	0.6	12.0	(8.7)

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LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

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TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

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FINANCIAL TIMES

Friday December 18 1981

CBI gives publicity to talks with Chancellor

By John Elliott, Industrial Editor

THE Confederation of British Industry last night stepped up its campaign for an "industrial Budget" next spring when it publicised an hour-long meeting with Sir Geoffrey Howe, Chancellor of the Exchequer.

This marked a sharp change in the relationship between the CBI and the Government; all major meetings with Ministers have been kept secret for the past year, at the suggestion of the Prime Minister.

Mrs Thatcher made it clear a year ago to Sir Ray Pennock, CBI president, that he could have more influence on Government policy if their talks were private.

The CBI accepted the advice which was offered after its 1980 conference when many of its members complained about threats of a "bare knuckle fight" with the Government.

But CBI leaders now feel that they must change tack and publicise meetings because private talks have not produced enough concessions for industry in either the spring Budget or last month's economic package.

Accompanied by Sir Terence Beckett, director general, who has recently returned to work after a period of ill health, Sir Ray told the Chancellor that he should cut business costs in his next Budget, rather than in personal taxation.

The CBI wants cuts in the national insurance surcharge, rates and energy costs. It has also been seeking a £1.5bn a year boost to the economy. Some of its influential members believe it should be asking for more.

There is also strong pressure for the Government temporarily to relax its public sector borrowing requirement in order to help industry lift off from the bottom of the recession.

A resolution saying this was passed at its annual conference last month and was echoed in speeches at its council meeting on Wednesday.

Last night, during talks at the Commons, the CBI warned the Chancellor that the "sluggish growth" now being forecast by the Treasury for 1982 would not be enough to allow industry to take advantage of its improved productivity and competitiveness.

The CBI also urged that Minister should do more to make public sector employers keep down the level of wage rises.

Labour attacks plan to sell up to £2bn BNOC assets

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE GOVERNMENT is aiming to put 51 per cent of the equity in a new oil company, on public offer next year. The company, to be named Britoil, would take over the production and exploration business of the State-owned British National Oil Corporation.

Details of the proposed sale emerged yesterday as the Government published a long and complex Bill which would enable it to carry out the biggest sale ever of nationalised industry assets. It could raise £1.4bn to £2bn for the Treasury.

The move was attacked bitterly by Mr Merlyn Rees the opposition energy spokesman, who said it was a "parliamentary, financial and national disgrace" which Labour would fight line by line.

The Bill would divide the British National Oil Corporation, with the State retaining trading activities, and separate, Scottish-registered company, Britoil, taking over production and exploration.

The Bill would also enable the Government to sell British Gas Corporation assets and break its monopoly on the purchase and sale of North Sea gas. The law would be used initially to force the corporation to sell its interest in six North Sea oil fields. Later, it could be made to sell its high street showrooms.

Mr Nigel Lawson, the Energy Secretary, said he aimed to establish Britoil as an operating concern next autumn and 51 per cent of the shares would be offered for sale "as soon as market conditions allow." He hoped that would be before the end of 1982.

The aim would be a "wide spread of ownership by the British public." The company would retain no links with BNOC and its articles of association would prevent "unacceptable changes in control, whatever the nationalities involved."

Details of the sale of British Gas North Sea oil assets have yet to be fixed, but Mr Lawson indicated it would be similar to that for BNOC, preferably in 1983.

The Bill would allow large UK gas consumers—those taking more than 1m therms a year—to buy gas from the supplier of their choice. British Gas would retain its monopoly over small buyers, notably the domestic market. Intermediate buyers could get gas from private suppliers with the Government's consent.

Mr Rees said the Bill gave "extraordinary, extra-parliamentary powers to the Secretary of State to do what he likes, how he likes and when he likes, with our vital national oil and gas assets."

Labour would renationalise the assets on terms which meant there was no private speculative gain at the nation's expense.

The Treasury announced yesterday that it would not go ahead with a proposed issue of North Sea oil bonds—national savings paper which would be index linked to North Sea oil prices—because of the planned Britoil share sale.

Output decision in New Year, Page 8

Parker gives ultimatum on pay

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

SIR PETER PARKER, chairman of British Rail, is to refuse to implement the £41m rail electrification scheme for East Anglia unless he wins approval from the rail unions for flexible working.

BR and the three rail unions are expected to go back to Acas, the arbitration service, next week to resolve problems with progress on productivity over the full implementation of this year's pay award for railwaymen.

The electrification scheme was given a tentative go-ahead by the Government yesterday when Mr David Howell, Transport Secretary, met the joint management-union British Rail Council.

Union leaders had earlier threatened to withdraw from *the crucial talks* with BR on productivity unless the Government gave the go-ahead for more investment.

The threat came most strongly from Mr Sid Weighell, general secretary of the National Union of Railwaymen, but the productivity talks have failed to make progress in *recent weeks largely because of* intransigence by the footplate union, Aslef.

Productivity improvements were at the heart of this year's 11 per cent, two-part pay award for railwaymen. Eight per cent was paid backdated to April 1 and the balance of 3 per cent was to have been paid, backdated to August 1, subject to BR winning agreement on changes in working practices.

Aslef, the Associated Society of Locomotive Engineers and Firemen, *has failed to deliver* completely on the issue of flexible rostering and further single-manning of trains. BR said yesterday that the rostering alterations were important because of a planned cut in working hours from 40 to 39 hours.

Mr Howell told BR and union *leaders that they could expect* a decision from the Government on East Anglian electrification "within six weeks," depending on the progress of the productivity talks.

The form of words is important for BR. The Government has "authorised" the BR broad to decide on going ahead with the proposals. In effect, the Government has given Sir Peter the right to withhold calling for the necessary investment money for the project until he, rather *than the Government, wins* improvements in productivity.

Trident signs £14m casino deal

BY DUNCAN CAMPBELL-SMITH

TRIDENT TELEVISION has signed a £14.6m contract to purchase the UK casino and betting shop interests of Playboy Enterprises. The deal will give Trident ownership of London's Playboy, Clermont and Victoria casinos, all of which face legal proceedings which could force their closure.

Mr G. E. Ward Thomas, Trident's chairman, said yesterday that despite the legal uncertainties the contract contained "no conditions whatsoever" other than being subject to the approval of Trident's 1.53m voting shareholders on January 5.

The chairman said he had discussed the purchase informally with some non-voting institutional shareholders and had received "not one unfavourable comment."

Trident has 47.38m non-voting shares. The company's unusual capital structure derives from its past as a television company subject to constraints on share ownership laid down by the Independent Broadcasting Authority.

Mr Ward Thomas, who intends to take the place of Sir John Treacher as executive chairman of the casino operations, said the legal uncertainties represented a gamble.

"But we have done our figures," he said. "It will look an ordinary deal at the worst. If the threatened casinos come through, we will have done a very good deal."

The three casinos earned about £16m in the year to June 30. Playboy's first quarter results ending September 30 showed a drop of more than half in the company's gaming profits—still largely dependent on its London operations—though this was attributed in part to a weaker pound and high legal costs.

The £14.6m purchase price reflects some adjustment to the £17m deal announced by Trident and Playboy on November 3 to take account of a cash dividend and other minor assets withdrawn from Playboy's London subsidiary by its U.S. parent in Chicago.

Trident will take over the conduct of an appeal in the Crown Court against the loss in October of operating licences for the Playboy and Clermont casinos.

Bidders queue for Stanley Gibbons

BY JOHN MAKINSON

BIDDERS ARE queueing for the chance to buy Stanley Gibbons, the stamp dealer and auctioneer put up for sale earlier this month.

About 12 interested parties are believed to have been sent confidential information documents by S. G. Warburg, the London merchant bank arranging the sale.

About £14m is being sought for Gibbons by Esselte, the Swedish office equipment company which recently became its owner *by taking over Letraset*, the British graphics group.

Letraset bought Gibbons for £19m three years ago and the stamp company's subsequent trading losses left it vulnerable to a takeover bid.

Possible buyers include Gibbons' own management and Mr Harold Fraser, formerly chairman of Gibbons and deputy chairman of Letraset. Both have held talks with City institutions about the possibility of making an offer. "I'm interested, if the price is right," Mr Fraser said yesterday.

The opportunity to buy the world's best-known stamp dealer has aroused considerable interest in the philatelic trade and at least two North American dealers are believed to have expressed an interest.

Urch Harris and Rushstamps, both British stamp companies, are also understood to have made an approach, although neither was prepared to comment yesterday.

Christies International and Sotheby Parke Bernet, the London auction houses, have interests in stamp auctioneering but they are not believed to be in the running for Gibbons.

Mr John Bardner, group managing director of Letraset, said yesterday that Gibbons was trading profitably after a string of losses.

Polish miners shot

Continued from Page 1

resistance to martial law in Gdansk, Katowice, Wroclaw and Lublin.

The Polish news agency PAP added that unrest and strikes continued at factories in Lodz, Lubin, Nowa Huta and Krakow.

Military and police activity has been particularly visible in the Baltic ports, with tanks reportedly being used to mount another assault on the Lenin shipyards *on Wednesday where* workers were reported to be offering only passive resistance.

Vatican Radio yesterday added its voice to demands for the release of Mr Walesa and quoted an appeal by Polish bishops who said that his presence was "absolutely indispensable for national equilibrium."

Diplomats believe Mr Walesa is detained outside Warsaw and is stubbornly refusing to appeal to the nation on the government's terms while demanding the release of other Solidarity leaders and communication with Archbishop Jozef Glemp.

"*The situation in Poland* seems to be more dramatic with the passage of each day and hour," Vatican Radio said, adding: "According to a message from the Polish episcopate, the Polish population is living in terror."

Lisa Wood writes: About 200 Poles, including the national swimming team stranded since the weekend and 20 students from Lodz on an exchange scheme with Manchester University, were at Heathrow Airport yesterday for the first London-Warsaw flights since Sunday. All expressed surprise at being asked whether they wanted to return home.

"We want everybody to know that 20 of us came and 20 are going back," the students said. Many of them were wearing "Give us a future" badges from the unemployed youth campaign in Britain.

Some of the others who had waited many hours for aircraft delayed by security checks said they wanted to get back to Poland before expressing any opinion on the situation. A mining engineer from Silesia said: "The British Press reports the facts but tries to interpret them through political conceptions that seem ridiculous to us".

The engineer, a member of Solidarity, had been visiting a mining research centre near Ashby de la Zouche.

It was difficult to interpret whether martial rule was attempting to suppress the reform process, or merely suspending it "while order is restored", he said.

He hoped that the latter was the case. and was optimistic the reform process would continue.

Continued from Page 1

Fares ruling

Under the "fares fair" policy the GLC to save £227m in subsidy to London Transport for 1981-82.

The 6.1p supplementary rate was part of a total 16.6p combined GLC and Inner London Education Authority rate. The education portion was 4.7p and most of the non-transport part of the GLC rate was the result of grant reductions imposed by the Government as a penalty against the level of transport expenditure.

Most ratepayers had not paid before the hearing started in their supplementary rates the High Court in November. They need not now pay the transport part, but the education portion and some of the non-transport part will still have to be paid. Councils will have to recalculate and relevy the rate. Those that have paid are technically entitled to a rebate—although nobody had dared look at the vexed problem of interest yet. In practice the administrative complexity is likely to mean that they will get a credit against next year's rate bill.

A new supplementary rate to pay for the cost of introducing a new fares scheme, changing all the machines and printing new tickets, passes and literature is likely.

Continued from Page 1

Bank loans

the effectiveness of such a policy have grown because in the short term it is evident that an interest rate rise has a perverse effect of raising sterling M3.

The Treasury is also reluctant to sanction any increase in interest rates which might provoke a substantial rise in the *exchange rate. Such a policy, it* is feared, could face industry once again with the problems of lower international competitiveness and higher financing costs.

On the other hand, ministers are by no means happy to jettison their monetary targets just to accommodate higher bank lending.

The figures yesterday show that the Bank of England provided £2.57bn of liquidity to the money markets in the banking month of November. This was a response to the large amounts of back tax repaid during the month.

However, after this funding is subtracted, the net lending to the private sector was £859m seasonally adjusted which is still considered to be high.

Central banks step up gold reserves

By David Marsh

THE Bank of England has joined an assortment of Third World central banks in buying small amounts of gold to stock up official reserves since the middle of the year.

Some of the buying, disclosed in the Bank's quarterly bulletin yesterday, appears to have taken place in August, when the gold price hit a 21-month low of about $390 per ounce.

This was at a time when the bullion market was depressed by heavy Russian sales. Separate figures in the bulletin, showing that the Soviet Union's foreign currency holdings in London banks were sharply depleted in August, emphasise the pressure on Moscow to sell gold that month in spite of the low price.

The figures show Soviet deposits dipped to $473m (£251m) in mid-August, the lowest since the early 1970s, from $825m at the end of June but then rose sharply again to $1.1bn at the end of September.

The Bank's purchases appear to have amounted to about 2.6 tonnes, worth about $35m at present prices, in August and September.

This marks the first official indication a major central bank has taken action to back the view that the price drop below $400 was overdone.

The buying appears to have been part of the Bank's normal activity of buying gold on the bullion market in connection with its role in the manufacture of Britain's sovereigns.

Although the amounts are small only—and the Bank has several times in the past year or so carried out small net purchases or sales of gold—some dealers may see the Bank's action as putting a psychological floor under the bullion price of about $400.

Bullion-dealers report that a number of smaller central banks, mainly from developing countries, have recently bought gold at about $400 per ounce. The price declined again briefly under this level towards the end of last month.

The Bank for International Settlements, the Basle-based institution owned by the major central banks, is also reported to have purchased gold in the past few weeks.

Figures from the International Monetary Fund show the United Arab Emirates, Zimbabwe, The Philippines, Brazil and Colombia have made small additions to gold holdings in the past few months.

Weather

UK TODAY

VERY COLD with frost in foggy areas. Bright intervals later.

London, S.E. and S.W. England, N.E. and N.W. Scotland
Outbreaks of snow. Bright intervals later. Max 2C (36F).

Midlands, N. and S. Wales, N.E. and N.W. England, S.W. Scotland and N. Ireland
Snow dying out, bright intervals with freezing fog persisting in places. Max 2C (36F), but minus 3C (27F) in foggy areas.

Channel Islands
Outbreaks of rain or sleet. Max. 4C (39F).

Outlook: Mostly dry with sunny intervals, but snow in south-east. Widespread frost and freezing fog.

WORLDWIDE

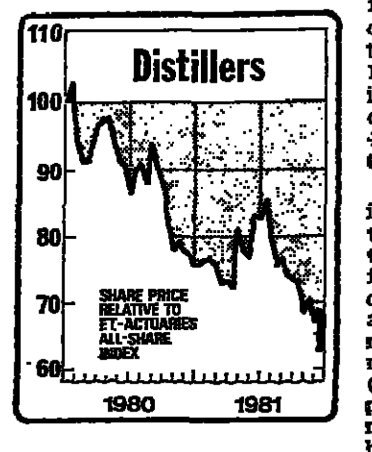
Ajaccio	F	14	57	London	S	2	36
Algiers	S	22	72	L.Ang†	Fg	11	52
Amsdm.	S	−9	16	Luxbg.	Sn	−6	21
Athens	S	18	64	Luxor	S	23	73
Bahrain	—	—	—	Madrid	C	11	52
Barclna.	C	14	57	Majorca	F	19	66
Beirut	F	19	66	Malaga	C	16	61
Belfast	S	2	36	Malta	S	18	64
Belgrd.	S	1	34	M'chstr	S	−1	30
Berlin	S	−9	16	Melbne.	—	—	—
Biarritz	R	11	52	Mx. C.†	—	—	—
Blackpl.	C	−2	28	Miami†	F	19	66
Bmghm.	F	−3	27	Milan	S	10	50
Bordx.	C	10	50	Montrl†	—	—	—
Boulgn.	S	−3	27	Moscow	F	−12	10
Bristol	S	0	32	Munich	Sn	−6	21
Brussels	F	−7	19	Nairobi	R	22	72
Budpst.	S	−4	25	Naples	S	16	61
Cairo	S	21	70	Nassau	—	—	—
Cardiff	S	0	32	Nwcstl.	S	−4	25
Cas'b'ca	F	20	68	N York†	F	−1	30
Cape T.	—	—	—	Nice	S	15	59
Chicg.†	Sn	−8	18	Nicosia	—	—	—
Cologne	S	−7	19	Oporto	R	11	52
Cpnhgn.	S	−8	18	Oslo	Sn	−14	7
Corfu	S	17	63	Paris	S	6	43
Denvr†	Sn	−6	21	Perth	—	—	—
Dublin	S	4	39	Prague	S	−8	18
Dbrvnk.	S	12	54	Rykjvk.	C	−3	27
Ednbgh.	S	−9	16	Rhodes	S	19	66
Faro	C	18	64	Rome	S	16	61
Florence	S	14	57	Salzbg.	Sn	−4	25
Frankft.	F	−7	19	S'clsco†	F	7	45
Funchal	R	17	63	S. Mritz	—	—	—
Genova	F	7	45	Singapr	—	—	—
Gibrltr.	F	17	63	S'tiago†	—	—	—
Gl'sg'w	S	−7	19	Stckhm	S	−11	12
G'rnsey	C	6	43	Strsbg	Sn	−4	25
Hels'ki	Sn	−12	10	Tangier	F	16	61
H. Kong	F	18	64	Tel Aviv	S	19	66
Innsbk.	Sn	−1	30	Tenerife	S	22	72
Invnss.	Sn	−2	28	Tunis	F	22	72
Istanbul	F	8	46	Valencia	F	17	63
Jersey	C	9	48	Venice	S	6	43
Jo'burg	—	—	—	Vienna	C	−6	21
L. Plms.	S	21	70	W'saw	Sn	−11	12
Lisbon	R	13	55	Zurich	F	5	41
Locarno	S	7	45				

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

Distillers pours a shaky double

Index fell 1.9 to 518.7



The full November banking figures show the expected bumper leap in bank lending—a seasonally adjusted £2.58bn, exceeding even the total in July 1980, the month the corset burst. On top of this figure comes £541m of UK private sector borrowing in foreign currencies; lower dollar interest rates explain the switch of currency, but the total demand for credit is disturbingly high.

The Bank of England's view of the distortions arising from the civil service dispute, which "appears to have had more effect on bank lending than on deposits", is advanced with surprising modesty considering that the Bank itself bridged the gap by buying in £1.7bn of private sector bills.

Indeed, if the Bank continues to buy paper at this rate, by the end of the financial year the entire £10½bn note issues will be backed by eligible bills of the highest quality. Almost as good as the gold standard.

Distillers

Last August, Distillers forecast a modest rise in profits for 1981-82, and until the last week or so it was still hoping to post an increase But now its interim statement warns of an (unquantified) fall in the year's figures, which means that this is the second year running in which the group's early optimism has proved to be misplaced. Not surprisingly, the shares fell 14p to 164p, roughly where they stood ten years ago.

Distillers was expecting its first half figures to be bad—and so they are, with a fall from £77.8m to £66m pre-tax despite the decline in sterling, which might have added perhaps £5m to profits on U.S. sales alone. But the hope had been that business would pick up strongly in the third quarter as the stock pipeline, which had been run down following price increases early in 1981, started to be replenished.

This is just not happening. Whisky sales in the UK were down about 13 per cent after eight months, having been little changed after six. There is still heavy destocking in Japan, the important Venezuela market is having a poor year, and U.S. demand is being hit by the recession.

Sales should pick up in the final quarter, as customers rush to beat the whisky price increases which seem likely both in the UK and export markets early in 1982. The overall decline in profits will probably be modest, after stripping out capital profits from last year's figures, but DCL has blotted its copy book, and although the dividend yield of 9¼ per cent is very secure, it will take clear evidence of recovery to put some life back into the share price.

English China

Getting smaller can be profitable, it would seem from the experience of English China Clays, where despite a drop of more than a tenth of UK kaolin production to some 2.35m tonnes, pre-tax profits have edged up from £40.5m to £41.7m. In fact clay division profits are up by some 11 per cent to £28.3m, *with setbacks elsewhere* in quarrying and leisure being only partly offset by a surprising upturn in housebuilding.

First half profits were well down, but in the second six months clay output was more stable and ECC has clearly worked hard at controlling its costs, especially by cutting out high cost marginal capacity.

Prices were only slightly higher, and European exchange rates only marginally more favourable. Still, a sharply higher dollar rate did serve to shut out U.S. competition, and the swing to more profitable specialist grades of clay continued. Restraint among the workforce was plainly an important element, and the 2 per cent pay rise conceded since the year-end could be aimed at dampening complaints when the dividend has gone up by a fifth. At 158p, on a 6.7 per cent yield, the shares are only mildly bid-conscious.

Unigate

Unigate is trying to diversify away from milk but the UK dairy side still dominates its revenue statement. Last year's heavy capital spending and the January increase in milk prices have almost doubled profits from this source to £15.9m *during* the half year to September. The same period of 1980 was exceptionally grim but it is a little unsettling that the dairy side accounted for all the 42 per cent growth in group trading profits to £22.5m.

So, with its balance sheet still in good shape, Unigate continues to look for places to apply the dairy cash. The record so far is very mixed. Giltspur is doing well and transport had an excellent half year but the meat division remains a nightmare. The closure of Scot Meat (almost all of which has been provided for below the line) may bring the division close to break even for the year but Unigate is still struggling to get a decent return from Bowyers.

At last night's share price of 100p, the prospective yield is just in double figures which says something about the city's lack of confidence in Unigate's sense of direction.

AE

AE has returned to profit at the pre-tax level in the second half of the year to September, and is recommending a 1.4p final dividend after passing the interim. The dividend has now been halved two years running, and profits have fallen to £1.0m from £7.8m in 1979-80—and £33m in 1976-77—but yesterday the shares scurried up 7p to 44p. Second half trading profits were 50 per cent above the first half level, at £14½m, but the annual interest bill is £14m and on top of that AE is scrupulous about charging redundancy costs above the line—£9.2m this time against £7.3m in 1979-80.

The group has chopped back working capital and reduced net debt by £18m to £72m—roughly half shareholders' funds—which leaves it better able to finance an upturn. Not that one appears to be round the corner: the component markets are absolutely flat, a Ford strike is threatened, and AE is budgeting for its sales to the aerospace industry to drop by a fifth this year.

Last year, the £26m saved on employee costs was not enough to compensate for the inability to get prices up to a level at which other cost increases were recovered. Margins are still under great pressure, and in the short term the biggest benefit to profits will come from lower redundancy costs. The market capitalisation is £43m.

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